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AMENDED IN SENATE AUGUST 26, 1999

AMENDED IN SENATE JULY 12, 1999

AMENDED IN ASSEMBLY APRIL 27, 1999

CALIFORNIA LEGISLATURE—1999–2000 REGULAR SESSION

ASSEMBLY BILL

No. 1584

Introduced by Assembly Member Florez

~~(Coauthor: Assembly Member Cardoza)~~

~~(Coauthor: Senators Baca, Chesbro, and Costa)~~ **Machado**
and Senator Costa

*(Principal coauthors: Assembly Members Cardoza and
Florez)*

*(Coauthors: Assembly Members Calderon, Kuehl,
Strom-Martin, and Thomson)*

February 26, 1999

~~An act to amend Section 63040 of the Government Code, relating to the California Infrastructure and Economic Development Bank. An act to amend Sections 13480, 14058, and 78621 of, to add Division 26 (commencing with Section 79000) to, and to repeal and add Sections 78626, 78648.12, and 78675 of, the Water Code, relating to financing a safe drinking water, water quality, flood protection, and water reliability program, by providing the funds necessary therefor through the issuance and sale of bonds of the State of California and by providing for the handling and disposition of those funds, and declaring the urgency thereof, to take effect immediately.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1584, as amended, Florez. ~~California Infrastructure and Economic Development Bank~~ *Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act.*

Under existing law, various bond acts have been approved by the voters to provide funds for water projects, facilities, and programs.

This bill would enact the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act which, if adopted, would authorize, for purposes of financing a safe drinking water, water quality, flood protection, and water reliability program, the issuance, pursuant to the State General Obligation Bond Law, of bonds in the amount of \$1,765,500,000. The bill would also provide for the use of prescribed bond funds, and funds repaid to the state pursuant to certain loan contracts, for specified programs established by this act.

The bill would require the Secretary of State to submit the bond act to the voters at the March 7, 2000, statewide direct primary election.

The bill would amend a provision relating to the calculations of the interest rate to be applied to certain loans from the State Water Pollution Control Revolving Fund.

The bill would declare that it is to take effect immediately as an urgency statute.

~~Existing law requires the California Infrastructure and Economic Development Bank to establish criteria, priorities, and guidelines for the selection of projects to receive assistance from the bank and lists several bases for these criteria, priorities, and guidelines.~~

~~This bill would add, as a basis, that among other factors, priority be given to rural areas, areas having an unemployment rate higher than the state average, and areas that have undergone military base closure.~~

Vote: ~~majority~~ $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

~~SECTION 1. Section 63040 of the Government Code~~

SECTION 1. Division 26 (commencing with Section 79000) is added to the Water Code, to read:

DIVISION 26. SAFE DRINKING WATER, CLEAN
WATER, WATERSHED PROTECTION, AND
FLOOD PROTECTION ACT

CHAPTER 1. SHORT TITLE

79000. This division shall be known and may be cited as the Costa-Machado Water Bond Act of 2000.

CHAPTER 2. DEFINITIONS

79005. Unless the context otherwise requires, the definitions set forth in this chapter govern the construction of this division.

79006. “Bay-delta” means the San Francisco Bay/Sacramento-San Joaquin Delta Estuary.

79007. “Board” means the State Water Resources Control Board.

79008. “CALFED” refers to the consortium of state and federal agencies with management and regulatory responsibilities in the bay-delta that are developing a long-term solution to water management, environmental, and other problems in the bay-delta watershed.

79009. “Clean Water Act” means the federal Clean Water Act (33 U.S.C. Sec. 1251 et seq.), and includes any amendments thereto.

79010. “Committee” means the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Finance Committee created by Section 79212.

79011. “Delta” means the Sacramento-San Joaquin Delta.

79012. “Department” means the Department of Water Resources.

1 79013. *“Fund” means the Safe Drinking Water, Clean*
2 *Water, Watershed Protection, and Flood Protection*
3 *Bond Fund created by Section 79019.*

4
5 CHAPTER 3. *SAFE DRINKING WATER, CLEAN WATER,*
6 *WATERSHED PROTECTION, AND FLOOD PROTECTION BOND*
7 *FUND*
8

9 79019. *The proceeds of bonds issued and sold*
10 *pursuant to this division shall be deposited in the Safe*
11 *Drinking Water, Clean Water, Watershed Protection,*
12 *and Flood Protection Bond Fund, which is hereby*
13 *created.*

14
15 CHAPTER 4. *SAFE DRINKING WATER PROGRAM*
16

17 Article 1. *Definitions*
18

19 79020. *Unless the context otherwise requires, the*
20 *following definitions govern the construction of this*
21 *chapter.*

22 (a) *“Federal act” means the federal Safe Drinking*
23 *Water Act (42 U.S.C. Sec. 300f et seq.), and includes any*
24 *amendments thereto.*

25 (b) *“State department” means the State Department*
26 *of Health Services.*

27 (c) *“Supplier” means any person, partnership,*
28 *corporation, association, public agency, or other entity,*
29 *including any Indian tribe having a federally recognized*
30 *governing body carrying out substantial governmental*
31 *duties in and powers over any area, that owns or operates*
32 *a public water system.*

33
34 Article 2. *Safe Drinking Water State Revolving Fund*
35

36 79021. *The sum of seventy million dollars*
37 *(\$70,000,000) is hereby transferred from the fund to the*
38 *Safe Drinking Water State Revolving Fund created by*
39 *Section 116760.30 of the Health and Safety Code.*
40

Article 3. Safe Drinking Water Program

79022. (a) The money transferred to the Safe Drinking Water State Revolving Fund pursuant to Section 79021, except as otherwise provided in Sections 79022.7 and 79025, shall be used by the state department for loans and grants to suppliers for the purposes of undertaking infrastructure improvements and related actions to meet safe drinking water standards, in accordance with the Safe Drinking Water State Revolving Fund Law of 1997 (Chapter 4.5 (commencing with Section 116760) of Part 12 of Division 104 of the Health and Safety Code).

(b) A supplier that is eligible for grants under Section 300j-12(i) of the federal act (42 U.S.C. Sec. 1452(i)) may concurrently make application for funds annually appropriated under the federal act and for bond proceeds made available under this chapter. The state department shall not place a public water system on the priority list for project funding or enter into a contract and award a grant or loan if a supplier has previously received a grant for public water system expenditure for the same project under Section 300j-12(i) of the federal act (42 U.S.C. Sec. 1452(i)) or if the supplier does not have a public water system permit pursuant to Section 116525 of the Health and Safety Code. The state department may place a public water system on the priority list for funding if a supplier has not otherwise received a letter of commitment to make a grant from the Administrator of the Environmental Protection Agency after 180 days from the date of the original submission of an application for a grant under Section 300j-12(i) of the federal act (42 U.S.C. Sec. 1452(i)).

(c) The Legislature finds and declares that Indian tribes shall be encouraged to cooperate with an adjacent public water system to determine whether the delivery of water from the public water system to the Indian tribe would be feasible and cost-effective in comparison to the improvement of a public water system owned or operated by the Indian tribe. The determination of

1 feasibility shall include an assessment of whether the
2 tribal water supplier possesses adequate financial,
3 managerial, and technical capability to ensure the
4 delivery of pure, wholesome, potable water to consumers.
5 The Legislature further finds and declares that public
6 water suppliers shall be encouraged to investigate
7 opportunities for Indian tribes to deliver water beyond
8 trust land boundaries to consumers that may not be
9 economically served by a public water system.

10 (d) The state department shall encourage loan or
11 grant applicants, where feasible, to consider the
12 consolidation of small public water systems and
13 community water systems with other public water
14 systems to reduce the cost of service and improve the
15 level of protection for consumers.

16 (e) To the extent that loans under this chapter that are
17 made to a public water system regulated by the Public
18 Utilities Commission bear a lower interest rate than that
19 supplier could receive from nongovernmental sources,
20 the Public Utilities Commission shall ensure that the
21 entire benefit of the interest rate differential shall benefit
22 the rate payers of that system by including the lower
23 interest rate when establishing the water system's
24 weighted average cost of capital.

25 79022.5. Any repayment of loans made pursuant to
26 this article, including interest payments, and all interest
27 earnings on or accruing to, any money resulting from the
28 implementation of this chapter in the Safe Drinking
29 Water State Revolving Fund shall be deposited in that
30 fund and shall be available for the purposes of this
31 chapter.

32 79022.7. Of the funds transferred pursuant to Section
33 79021, the sum of fifteen million four hundred seventeen
34 thousand dollars (\$15,417,000) is hereby transferred to
35 the General Fund in repayment of the transfer from the
36 General Fund to the Safe Drinking Water State
37 Revolving Fund pursuant to Item No. 4260-115-0001 of
38 Section 2.00 of the Budget Act of 1999 (Chapter 50,
39 Statutes of 1999).

1 79023. *There is hereby created in the Safe Drinking*
2 *Water State Revolving Fund the Technical Assistance*
3 *Account.*

4 79024. *Of the funds transferred pursuant to Section*
5 *79021, the sum of two million dollars (\$2,000,000) is*
6 *hereby transferred from the Safe Drinking Water State*
7 *Revolving Fund to the Technical Assistance Account.*

8 79025. (a) *Notwithstanding Section 13340 of the*
9 *Government Code, the money in the Technical*
10 *Assistance Account is hereby continuously appropriated,*
11 *without regard to fiscal years, to the state department, to*
12 *provide technical assistance to public water systems in*
13 *the state in accordance with Section 300j-12(g)(2) of the*
14 *federal act (42 U.S.C. Sec. 1452(g)(2)). For the purposes*
15 *of this section, "technical assistance" includes assistance*
16 *to disadvantaged communities, including Indian tribes.*

17 (b) *In carrying out its responsibilities under*
18 *subdivision (a), the state department may do any of the*
19 *following:*

20 (1) *Assess the technical, managerial, and financial*
21 *capability of a disadvantaged community.*

22 (2) *Assist an applicant in the preparation of an*
23 *application for funding under Chapter 4.5 (commencing*
24 *with Section 116760) of Part 12 of Division 104 of the*
25 *Health and Safety Code or Section 300j-12(i) of the*
26 *federal act (42 U.S.C. Sec. 1452(i)).*

27 (3) *Conduct workshops in locations in or near*
28 *disadvantaged communities to provide information*
29 *regarding grants or loans for the design and construction*
30 *of projects for public water systems.*

31 79026. *Not more than 3 percent of the total amount*
32 *deposited in the account may be used to pay costs*
33 *incurred in connection with the administration of this*
34 *chapter.*

35

CHAPTER 5. FLOOD PROTECTION PROGRAM

Article 1. Flood Protection Account

79030. For the purposes of this chapter, “account” means the Flood Protection Account created by Section 79031.

79031. The Flood Protection Account is hereby created in the fund. The sum of two hundred thirty-two million dollars (\$232,000,000) is hereby transferred from the fund to the account.

Article 2. Floodplain Mapping Program

79033. (a) There is hereby created in the account the Floodplain Mapping Subaccount.

(b) The sum of two million five hundred thousand dollars (\$2,500,000) is hereby transferred from the account to the Floodplain Mapping Subaccount for the purposes of implementing this article.

79033.2. (a) There is hereby created in the account the Agriculture and Open Space Mapping Subaccount.

(b) The sum of two million five hundred thousand dollars (\$2,500,000) is hereby transferred from the account to the Agriculture and Open Space Mapping Subaccount.

79033.4. The money in the Floodplain Mapping Subaccount, upon appropriation by the Legislature to the department, may be used by the department for the purpose of assisting local land-use planning, and to avoid or reduce future flood risks and damages. The use of the funds in that subaccount by the department shall include, but is not limited to, all of the following:

(a) Mapping newly identified floodplains.

(b) Mapping rural areas with potential for urbanization.

(c) Mapping flood hazard areas with undefined 100-year flood elevations.

(d) Updating outdated floodplain maps.

1 (e) Accelerating mapping of riverine floodplains,
2 alluvial fans, and coastal flood hazard areas.

3 (f) Collecting topographic and hydrographic survey
4 data.

5 79033.6. (a) The money in the Agriculture and Open
6 Space Mapping Subaccount, upon appropriation by the
7 Legislature to the Department of Conservation, may be
8 used by the Department of Conservation for the purposes
9 of assisting local land-use planning by making available
10 Important Farmland Series maps and Interim Farmland
11 maps, as those terms are defined in Section 65570 of the
12 Government Code. The information provided by the
13 Department of Conservation is intended for local
14 government use in conjunction with floodplain and flood
15 hazard maps developed by the department to protect
16 agricultural land resources coincident with avoidance or
17 reduction of future flood risk and damage to residential
18 or commercial land uses. The use of the funds in that
19 subaccount by the Department of Conservation shall
20 include, but is not limited to, all of the following:

21 (1) Accelerating production of Important Farmland
22 Series maps and Interim Farmland maps.

23 (2) Increasing the coverage and availability of soil
24 surveys conducted by the United States Natural Resource
25 Conservation Service.

26 (3) Increasing topographic, soil, and agricultural crop
27 data collection and enhancing data gathering capability.

28 (4) Developing integrated mapping that incorporates
29 Important Farmland Series mapping and Interim
30 Farmland mapping data with other relevant information,
31 including, but not limited to, floodplain or flood hazard
32 information, planning designation, and other land and
33 natural resource data.

34 (b) For the purposes of this article, “maps” and
35 “mapping” may include digital map files.

36
37 Article 2.5. Flood Protection Corridor Program

38
39 79035. (a) There is hereby created in the account the
40 Flood Protection Corridor Subaccount.

1 (b) For the purposes of this article, “subaccount”
2 means the Flood Protection Corridor Subaccount created
3 by subdivision (a).

4 79036. The sum of fifty million dollars (\$50,000,000) is
5 hereby transferred from the account to the subaccount
6 for the purposes of implementing this article.

7 79037. (a) The money in the subaccount, upon
8 appropriation by the Legislature, to the department, may
9 be used by the department for flood control projects
10 through direct expenditure for the acquisition,
11 restoration, enhancement, and protection of real
12 property for the purposes of flood control protection,
13 agricultural land preservation, and wildlife habitat
14 protection, and for grants to local public agencies or
15 nonprofit organizations for these purposes, and for
16 related administrative costs.

17 (b) The money in the subaccount upon appropriation
18 by the Legislature shall be used for the protection,
19 creation, and enhancement of flood protection corridors
20 through all of the following actions:

21 (1) Acquiring easements and other interests in real
22 property from willing sellers to protect or enhance flood
23 protection corridors and floodplains while preserving or
24 enhancing the agricultural use of the real property.

25 (2) Setting back existing flood control levees and, in
26 conjunction with undertaking those setbacks,
27 strengthening or modifying existing levees.

28 (3) Acquiring interests in real property from willing
29 sellers located in a floodplain that cannot reasonably be
30 made safe from future flooding.

31 (4) Acquiring easements and other interests in real
32 property from willing sellers to protect or enhance flood
33 protection corridors while preserving or enhancing the
34 wildlife value of the real property.

35 79038. (a) For the purposes of this article, the
36 department shall give highest priority to projects that
37 include either of the following:

38 (1) Projects that have been assigned high priority for
39 completion by the department for flood protection
40 purposes and by the Department of Conservation for

1 *purposes of preserving agricultural land in accordance*
2 *with the Agricultural Land Stewardship Program Act of*
3 *1995 (Division 10.2 (commencing with Section 10200) of*
4 *the Public Resources Code).*

5 *(2) Projects that have been assigned high priority for*
6 *completion by the department for flood protection*
7 *purposes and by the Department of Fish and Game for*
8 *wildlife habitat protection or restoration purposes.*

9 *(b) For restoration, enhancement, and protection*
10 *projects, the services of the California Conservation*
11 *Corps or community conservation corps shall be used*
12 *whenever feasible.*

13 *79039. (a) In order to ensure that property acquired*
14 *under paragraph (1) of subdivision (b) of Section 79037*
15 *remains on the county tax rolls and in agricultural use to*
16 *the greatest extent practicable, the acquisition of*
17 *easements shall be the preferred method of acquiring*
18 *property interests under that paragraph unless the*
19 *acquisition of a fee interest is required for management*
20 *purposes or the landowner will only consider the sale of*
21 *a fee interest in the land. No acquisition of a fee interest*
22 *shall be undertaken under paragraph (1) of subdivision*
23 *(b) of Section 79037 until all practical alternatives have*
24 *been considered by the department.*

25 *(b) Any proceeds received from the disposal of a fee*
26 *interest acquired under this article shall be deposited into*
27 *the subaccount.*

28 *79040. Any acquisition pursuant to this article shall be*
29 *from a willing seller.*

30 *79041. Prior to acquiring an easement or other*
31 *interest in land pursuant to this article, the project shall*
32 *include a plan to minimize the impact on adjacent*
33 *landowners. The plan shall include, but not be limited to,*
34 *an evaluation of the impact on floodwaters, the structural*
35 *integrity of affected levees, diversion facilities, customary*
36 *agricultural husbandry practices, and timber extraction*
37 *operations, and an evaluation with regard to the*
38 *maintenance required of any facilities that are proposed*
39 *to be constructed or altered.*

1 79042. Prior to acquiring an easement or other
2 interest in land pursuant to this article, a public hearing
3 in the local community shall be held. Notification shall be
4 given to the county board of supervisors of the affected
5 county, adjacent landowners, affected water districts,
6 local municipalities, and other interested parties, as
7 determined by the department.

8 79043. Money in the subaccount may be used, upon
9 appropriation by the Legislature, to repair breaches in
10 the flood control system developed pursuant to this
11 article or caused by the development of an easement
12 program financed through this section and to repair
13 water diversion facilities or flood control facilities
14 damaged by a project developed pursuant to this section
15 or financed pursuant to this section.

16 79044. (a) (1) In expending grant money pursuant
17 to this article to acquire an interest in any particular
18 parcel of land, a local public agency or nonprofit
19 organization may use the money to establish a trust fund
20 in the amount of not more than 20 percent of the amount
21 of money paid for the acquisition. Interest from the trust
22 fund shall be used only to maintain the lands that are
23 acquired pursuant to this chapter.

24 (2) A local public agency or nonprofit organization
25 that acquires land with money from the subaccount and
26 transfers the land to another public agency or nonprofit
27 organization shall also transfer the ownership of the trust
28 fund that was established to maintain that land.

29 (b) If the local public agency or nonprofit organization
30 does not establish a trust fund pursuant to subdivision (a),
31 it shall certify to the department that it can maintain the
32 land to be acquired from funds otherwise available to the
33 agency or organization.

34 (c) This section does not apply to state agencies.

35 79044.5. (a) It is the intent of the Legislature to
36 address the problem of soaring federal flood insurance
37 rates by assisting local governments to meet technical
38 requirements for participation in the National Flood
39 Insurance Program and the National Flood Insurance
40 Program's Community Rating System.

(b) Notwithstanding any other provision of this article, of the funds transferred pursuant to Section 79036, the sum of one million dollars (\$1,000,000) is hereby continuously appropriated, without regard to fiscal years, to the department, as follows:

(1) Five hundred thousand dollars (\$500,000) to educate and provide technical assistance to cities and counties regarding the National Flood Insurance Program and the enrollment process.

(2) Five hundred thousand dollars (\$500,000) to educate and provide technical assistance to cities and counties currently enrolled in the National Flood Insurance Program with regard to the National Flood Insurance Program's Community Rating System and the implementation of activities creditable under that system.

79044.7. Not more than 5 percent of the total amount deposited in the subaccount may be used to pay costs incurred in connection with the administration of this article.

79044.9. The department may adopt regulations to carry out this article.

Article 3. Delta Levee Rehabilitation Program

79045. (a) There is hereby created in the account the Delta Levee Rehabilitation Subaccount.

(b) For the purposes of this article, "subaccount" means the Delta Levee Rehabilitation Subaccount created by subdivision (a).

79046. The sum of thirty million dollars (\$30,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article pursuant to Section 12986.

79047. Notwithstanding Section 13340 of the Government Code, the money in the subaccount is hereby continuously appropriated, without regard to fiscal years, to the department, as follows:

(a) Fifteen million dollars (\$15,000,000) for local assistance under the delta levee maintenance

1 subventions program under Part 9 (commencing with
2 Section 12980) of Division 6, and for the administration of
3 that assistance.

4 (b) Fifteen million dollars (\$15,000,000) for special
5 flood protection projects under Chapter 2 (commencing
6 with Section 12310) of Part 4.8 of Division 6, subsidence
7 studies and monitoring, and for the administration of this
8 subdivision. Allocation of these funds shall be for flood
9 protection projects on Bethel, Bradford, Holland,
10 Hotchkiss, Jersey, Sherman, Twitchell, and Webb Islands,
11 and at other locations in the delta.

12 (c) Any funds that are made available under
13 subdivision (a) may be used to reimburse local agencies
14 for the state's share of costs for eligible projects
15 completed on or after July 1, 1998.

16 79048. The expenditure of funds under this article is
17 subject to Chapter 1.5 (commencing with Section 12306)
18 of Part 4.8 of Division 6.

19 79049. Of the funds appropriated pursuant to
20 subdivision (a) or (b) of Section 79047, not more than 5
21 percent may be expended by the department to repair
22 levee road pavement if the damage is attributable to flood
23 control maintenance.

24 79050. No expenditure of funds may be made under
25 this article unless the Department of Fish and Game
26 makes a written determination as part of its review and
27 approval of a plan or project pursuant to Section 12314 or
28 12987. The Department of Fish and Game shall make its
29 determination in a reasonable and timely manner
30 following the submission of the project or plan to that
31 department. For the purposes of this article, an
32 expenditure may include more than one levee project or
33 plan.

34 79051. For the purposes of this article, a levee project
35 includes levee improvements and related habitat
36 improvements undertaken in the delta at a location other
37 than the location of that levee improvement.

38 79052. Following the date on which a program for the
39 bay-delta is adopted by CALFED, the remaining funds in
40 the subaccount shall be used for levee rehabilitation

1 *improvement projects that, to the greatest extent*
2 *possible, are consistent with the program adopted by*
3 *CALFED.*

4
5 *Article 4. Flood Control Subventions Program*
6

7 79055. (a) *There is hereby created in the account the*
8 *Flood Control Subventions Subaccount.*

9 (b) *For the purposes of this article, “subaccount”*
10 *means the Flood Control Subventions Subaccount*
11 *created by subdivision (a).*

12 79056. *The sum of forty-five million dollars*
13 *(\$45,000,000) is hereby transferred from the fund to the*
14 *subaccount.*

15 79057. (a) *Notwithstanding Section 13340 of the*
16 *Government Code, or any other provision of law, the*
17 *money in the subaccount is hereby continuously*
18 *appropriated, without regard to fiscal year, to the*
19 *department to pay for the state’s share of the nonfederal*
20 *costs of flood control and flood prevention adopted and*
21 *authorized as of January 1, 1999, under The State Water*
22 *Resources Law of 1945 (Chapter 1 (commencing with*
23 *Section 12570) and Chapter 2 (commencing with Section*
24 *12639) of Part 6 of Division 6), The Flood Control Law of*
25 *1946 (Chapter 3 (commencing with Section 12800) of*
26 *Part 6 of Division 6), and The California Watershed*
27 *Protection and Flood Prevention Law (Chapter 4*
28 *(commencing with Section 12850) of Part 6 of Division 6),*
29 *including the credits and loans to local agencies pursuant*
30 *to Sections 12585.3 and 12585.4, subdivision (d) of Section*
31 *12585.5, and Sections 12866.3 and 12866.4, and to*
32 *implement Chapter 3.5 (commencing with Section*
33 *12840) of Part 6 of Division 6.*

34 (b) *The money in the subaccount shall be allocated*
35 *only to projects in the Counties of Contra Costa, Fresno,*
36 *Kern, Los Angeles, Marin, Napa, Orange, Riverside, San*
37 *Bernardino, San Diego, Santa Clara, Sonoma, and*
38 *Ventura.*
39

1 Article 5. *Urban Stream Restoration Program*

2
3 79060. (a) *There is hereby created in the account the*
4 *Urban Stream Restoration Subaccount.*

5 (b) *For the purposes of this article, “subaccount”*
6 *means the Urban Stream Restoration Subaccount created*
7 *by subdivision (a).*

8 79061. *The sum of fifteen million dollars (\$15,000,000)*
9 *is hereby transferred from the account to the subaccount*
10 *for the purposes of implementing this article.*

11 79062. *The money in the subaccount, upon*
12 *appropriation by the Legislature to the department, may*
13 *be used by the department for both of the following:*

14 (a) *Grants to local agencies and nonprofit*
15 *organizations for effective, low-cost flood control projects*
16 *pursuant to Section 7048.*

17 (b) *Grants to local community conservation corps and*
18 *other nonprofit corporations for local stream clearance,*
19 *flood mitigation, and cleanup activities.*

20 79062.5. *Notwithstanding any other provision of law,*
21 *regulations set forth in Chapter 2.4 (commencing with*
22 *Section 451.1) of Division 2 of Title 23 of the California*
23 *Code of Regulations that are in effect on March 8, 2000,*
24 *may be used to carry out this article.*

25
26 Article 6. *Capital Area Flood Protection Program*

27
28 79065. *The Legislature hereby finds and declares all*
29 *of the following:*

30 (a) *Since Sacramento, the state capital, was founded*
31 *over 150 years ago, it has suffered from flood disasters*
32 *because of inadequate flood protection. Each year, the*
33 *State Capitol and more than 1,300 other*
34 *government-owned buildings and infrastructure of the*
35 *capital region are at risk because of their location in the*
36 *worst protected urban area in the country.*

37 (b) *The State of California’s investment of money and*
38 *other resources in the state’s seat of government is*
39 *important to preserve and protect.*

1 (c) It is in the best interest of this state to invest in a
2 cost-shared program to protect life and property in the
3 state capital from flooding, thus resulting in opportunities
4 for sustainable economic development and continued
5 protection of the state's natural resources.

6 (d) The Congress and the President of the United
7 States have recognized the national importance of
8 increasing the level of the state capital's flood protection
9 by authorizing projects in the Water Resources
10 Development Act of 1999.

11 79065.2. (a) There is hereby created in the account
12 the State Capital Protection Subaccount.

13 (b) For purposes of this article, "subaccount" means
14 the State Capital Protection Subaccount created by
15 subdivision (a).

16 79065.4. The sum of ten million dollars (\$10,000,000)
17 is hereby transferred from the account to the subaccount
18 for the purposes of this article.

19 79065.6. The money in the subaccount, upon
20 appropriation by the Legislature to the Sacramento Area
21 Flood Control Agency, may be used by the Sacramento
22 Area Flood Control Agency to pay the state's share of the
23 costs of flood management projects authorized by the
24 United States to improve the level of flood protection in
25 the state capital region.

26 79065.8. Not more than 5 percent of the total amount
27 deposited in the subaccount may be used to pay the costs
28 incurred in connection with the administration of this
29 article.

30
31 Article 7. San Lorenzo River Flood Control Program
32

33 79067. (a) There is hereby created in the account
34 the San Lorenzo River Flood Control Subaccount.

35 (b) For purposes of this article, "subaccount" means
36 the San Lorenzo River Flood Control Subaccount created
37 by subdivision (a).

38 79067.2. The sum of two million dollars (\$2,000,000) is
39 hereby transferred from the account to the subaccount
40 for the purposes of this article.

1 79067.4. The money in the subaccount, upon
2 appropriation by the Legislature to the department, shall
3 be allocated by the department to the City of Santa Cruz
4 to pay for the state's share of the costs of flood
5 management projects authorized by the United States to
6 improve the level of flood protection in the Santa Cruz
7 region.

8
9 Article 8. Levee and Waterworks Program

10
11 79068. Unless the context otherwise requires, the
12 definitions set forth in this section govern the
13 construction of this article.

14 (a) "Nonstructural improvements" are projects that
15 are intended to reduce or eliminate susceptibility to
16 flooding by preserving or increasing the flood carrying
17 capacity of floodways, and include measures such as
18 levees, floodproofing structures, and zoning, designating,
19 or acquiring flood prone areas.

20 (b) "Structural improvements" are projects that are
21 intended to modify flood patterns and rely primarily on
22 constructed components, and include measures such as
23 levees, floodwalls, and improved channels.

24 (c) "Subaccount" means the Levee and Waterworks
25 Subaccount created by Section 79068.2.

26 79068.2. There is hereby created in the account the
27 Levee and Waterworks Subaccount.

28 79068.4. The sum of seventy million dollars
29 (\$70,000,000) is hereby transferred from the account to
30 the subaccount for the purposes of implementing this
31 article.

32 79068.6. The money in the subaccount, upon
33 appropriation by the Legislature to the department, may
34 be used by the department to fund any one or more of the
35 following flood protection projects to be implemented by
36 local agencies:

37 (a) The construction or improvements of weirs,
38 bypasses, and channels.

39 (b) The construction of levees or improving publicly
40 maintained levees, including, but not limited to, setback

1 levees, training levees, floodwalls, and streambank
2 protection projects, which provide greater flood
3 protection or flood damage reduction.

4 (c) The modification or reoperation of existing dams
5 and waterworks, including spillways or other capital
6 outlay facilities, for the purpose of increased efficiency in
7 managing flood waters.

8 (d) The installation of tailwater suppression systems,
9 detention basins, relief wells, test wells, flood warning
10 systems, and telemetry devices.

11 (e) The relocation or floodproofing of structures
12 within floodplains, which meet or exceed a community's
13 floodplain regulations, pursuant to the National Flood
14 Insurance Program.

15 (f) Implementation of watershed projects, which
16 provide greater flood protection or flood damage
17 reduction.

18 (g) The construction of, or improvement to, a state or
19 interstate highway, county road, or a levee road, that is
20 designated a flood emergency evacuation route, or that
21 provides access to a levee for emergency vehicles, flood
22 fights, levee repair and maintenance, or a project that
23 protects such a road or highway.

24 (h) The purchase of lands, easements, and
25 rights-of-way.

26 (i) Capital costs of environmental mitigation.

27 79068.8. No expenditures of funds under this article
28 may be made until the department or the Reclamation
29 Board determines that all of the following requirements
30 have been met:

31 (a) There is a final environmental document prepared
32 pursuant to the California Environmental Quality Act
33 (Division 13 (commencing with Section 21000) of the
34 Public Resources Code).

35 (b) The project is in compliance with the California
36 Endangered Species Act (Chapter 1.5 (commencing
37 with Section 2050) of Division 3 of the Fish and Game
38 Code), as demonstrated by documentation such as
39 comments received from the Department of Fish and

1 Game, a permit obtained from the Department of Fish
2 and Game, or other appropriate evidence.

3 (c) The local project proponent agree to pay at least
4 that portion of the nonfederal capital costs of the project
5 required by Section 12585.5, or that may be required by
6 future amendments to Chapter 1 (commencing with
7 Section 12570) of Part 6 of Division 6 of the Water Code.

8 (d) The local project proponent agree to operate and
9 maintain the completed project.

10 (e) The local project proponent enter into an
11 agreement indemnifying and holding the state, its
12 agencies, officers, and employees free and harmless from
13 any and all liability arising out of the design, construction,
14 operation, and maintenance of the project.

15 (f) The project is recommended for implementation
16 by the department or the Reclamation Board.

17 79068.10. Notwithstanding Section 79068.8, the
18 department or Reclamation Board may waive the cost
19 sharing requirement set forth in subdivision (c) of that
20 section based upon the ability of the local project
21 proponent to pay the local share of the capital costs. The
22 ability of any local project proponent to pay shall be
23 determined by the department or the Reclamation
24 Board.

25 79068.12. All of the following factors shall be
26 considered by the department or the Reclamation Board
27 for prioritizing projects:

28 (a) Potential loss of life from flooding.

29 (b) Increased flood protection or flood damage
30 reduction for areas that have the greatest flood risk or
31 have experienced repetitive flood loss.

32 (c) The local community is a small community with
33 financial hardship.

34 (d) Projects that provide multiple benefits.

35 (e) Projects that are implemented in accordance with
36 the Sacramento/San Joaquin River Basins
37 Comprehensive Study prepared by the United States
38 Army Corps of Engineers.

1 (f) Projects that are implemented pursuant to the
2 completion of feasibility studies prepared by the United
3 States Army Corps of Engineers or local agencies.

4 (g) Projects along the Yuba and Feather Rivers and
5 their tributaries.

6 (h) Projects along the Colusa drain and its tributaries.

7 (i) Projects that address regional flood problems.

8 79068.14. The department or the Reclamation Board
9 shall give preference to projects along the Yuba and
10 Feather Rivers and their tributaries.

11 79068.16. Not more than 5 percent of the total amount
12 deposited in the subaccount may be used to pay the costs
13 incurred in connection with the administration of this
14 article.

15 79068.18. The department and the Reclamation
16 Board may adopt regulations to carry out this article.

17
18 Article 9. Arroyo Pasajero Watershed Program
19

20 79069. The Legislature hereby finds and declares all
21 of the following:

22 (a) The Arroyo Pasajero Watershed incurred
23 unprecedented flooding in 1995 that resulted in a loss of
24 lives due to a bridge failure on Interstate Highway Route
25 5 (I-5).

26 (b) Flooding in the watershed cause damage to
27 important federal, state, and local public facilities,
28 including the Lemoore Naval Air Station, Interstate
29 Highway Route 5 (I-5), the California Aqueduct, and
30 critical local roads and highways, as well as private
31 property.

32 (c) It is of statewide importance to undertake projects
33 to eliminate future flooding in the watershed in order to
34 protect life and property and to protect the drinking
35 water supply of southern California.

36 79069.2. Unless the context otherwise requires, the
37 definitions set forth in this section govern construction of
38 this article.

1 (a) “Subaccount” means the Arroyo Pasajero
2 Watershed Subaccount created pursuant to Section
3 79069.4.

4 (b) “Watershed” means the Arroyo Pasajero
5 Watershed.

6 79069.4. There is hereby created in the account the
7 Arroyo Pasajero Watershed Subaccount. The sum of five
8 million dollars (\$5,000,000) is hereby transferred from the
9 account to the subaccount for the purposes of this article.

10 79069.6. The money in the subaccount, upon
11 appropriation by the Legislature to the department, shall
12 be used by the department for projects that improve
13 flood protection for State Highway Route 269 in the area
14 north of the City of Huron or improve flood control for
15 the California Aqueduct in the area of the Arroyo
16 Pasajero Crossing.

17 79069.8. For the purposes of carrying out projects
18 pursuant to this article, the department is encouraged to
19 utilize the services of the California Conservation Corps
20 or community conservation corps or both.

21 79069.10. Not more than 5 percent of the total amount
22 deposited in the subaccount may be used to pay costs
23 incurred in connection with the administration of this
24 article.

25

26 CHAPTER 6. WATERSHED PROTECTION PROGRAM

27

28 Article 1. Watershed Protection Account

29

30 79070. For the purposes of this chapter, “account”
31 means the Watershed Protection Account created by
32 Section 79071.

33 79071. The Watershed Protection Account is hereby
34 created in the fund. The sum of two hundred fifty-three
35 million dollars (\$253,000,000) is hereby transferred from
36 the fund to the account.

37



Article 2. Watershed Protection Program

79075. (a) There is hereby created in the account the Watershed Protection Subaccount.

(b) For the purposes of this article, “subaccount” means the Watershed Protection Subaccount created by subdivision (a).

79076. The sum of sixty million dollars (\$60,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79077. The purposes of this article are to provide funds to assist in implementing watershed plans to reduce flooding, control erosion, improve water quality, and improve aquatic and terrestrial species habitats, to restore natural systems of groundwater recharge, native vegetation, water flows, and riparian zones, to restore the beneficial uses of waters of the state in watersheds, and to provide matching funds for federal grant programs.

79078. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) “Local agency” means any city, county, city and county, district, or other political subdivision of the state.

(b) “Local watershed group” means a group consisting of owners and managers of land within the watershed of interest, local, state, and federal government representatives, and interested persons, other than landowners, who reside or work within the watershed of interest, and may include other persons, organizations, nonprofit corporations, and businesses.

(c) “Local watershed management plan” means a document prepared by a local watershed group that sets forth a strategy to achieve an ecologically stable watershed, and that does all of the following:

(1) Defines the geographical boundaries of the watershed.

(2) Describes the natural resource conditions within the watershed.

(3) Describes measurable characteristics for water quality improvements.

1 (4) Describes methods for achieving and sustaining
2 water quality improvements.

3 (5) Identifies any person, organization, or public
4 agency that is responsible for implementing the methods
5 described in paragraph (4).

6 (6) Provides milestones for implementing the
7 methods described in paragraph (4).

8 (7) Describes a monitoring program designed to
9 measure the effectiveness of the methods described in
10 paragraph (4).

11 (d) "Municipality" has the same meaning as defined in
12 the Clean Water Act and also includes the state or any
13 agency, department, or political subdivision thereof, and
14 applicants eligible for technical assistance under Section
15 319 (33 U.S.C. Sec. 1329) or grants under Section 320 of
16 the Clean Water Act (33 U.S.C. Sec. 1330).

17 (e) "Nonprofit organization" means any California
18 corporation organized under Section 501(c)(3) or
19 501(c)(5) of the Internal Revenue Code.

20 (f) "Regional board" means a regional water quality
21 control board.

22 79079. The money in the subaccount, upon
23 appropriation by the Legislature to the board, may be
24 used by the board for grants to municipalities, local
25 agencies, or nonprofit organizations in accordance with
26 this article. The grants shall be used to develop local
27 watershed management plans or to implement projects
28 that are consistent with local watershed management and
29 regional water quality control plans. The board shall
30 ensure that activities funded by these grants will be
31 coordinated with activities undertaken by state and
32 federal agencies, and with other appropriate watershed
33 efforts.

34 79080. (a) A municipality, local agency, or nonprofit
35 organization may only receive a grant under this article
36 if the board determines that both of the following apply:

37 (1) The municipality, local agency, or nonprofit
38 organization has adequate legal authority to manage the
39 grant money.

1 (2) *The municipality, local agency, or nonprofit*
2 *organization is a member of a local watershed group.*

3 (b) *Grants may be awarded for projects that*
4 *implement methods for attaining watershed*
5 *improvements or for a monitoring program described in*
6 *a local watershed management plan in an amount not to*
7 *exceed five million dollars (\$5,000,000) per project. At*
8 *least 85 percent of the total amount in the subaccount*
9 *shall be used for capital outlay projects described in this*
10 *subdivision.*

11 (c) *Eligible projects under this article may do any of*
12 *the following:*

13 (1) *Reduce chronic flooding problems or control*
14 *water velocity and volume using vegetation management*
15 *or other nonstructural methods.*

16 (2) *Protect and enhance greenbelts and riparian and*
17 *wetlands habitats.*

18 (3) *Restore or improve habitat for aquatic or*
19 *terrestrial species.*

20 (4) *Monitor the water quality conditions and assess the*
21 *environmental health of the watershed.*

22 (5) *Use geographic information systems to display and*
23 *manage the environmental data describing the*
24 *watershed.*

25 (6) *Prevent watershed soil erosion and sedimentation*
26 *of surface waters.*

27 (7) *Support beneficial groundwater recharge*
28 *capabilities.*

29 (8) *Otherwise reduce the discharge of pollutants to*
30 *state waters from storm water or nonpoint sources.*

31 (d) (1) *Grants may be awarded to municipalities,*
32 *local agencies, or nonprofit organizations for the*
33 *development of local watershed management plans in*
34 *amounts not to exceed two hundred thousand dollars*
35 *(\$200,000) per local watershed management plan.*

36 (2) *Funding under this subdivision may be used to*
37 *develop components of local watershed management*
38 *plans that contribute to the development or*
39 *implementation of species recovery plans.*

1 (e) Grants may be awarded to meet requirements for
2 nonfederal matching funds set forth in Section 205(j) of
3 the Clean Water Act (33 U.S.C. Sec. 1285(j)) or Section
4 319(h) of the Clean Water Act (33 U.S.C. Sec. 1329(h)).

5 (f) Projects funded under this article shall be designed
6 to withstand substantial flooding and shall include a
7 minimum 10-year maintenance program and shall
8 demonstrate the potential to provide watershed benefits
9 for 20 years.

10 (g) A proponent of a project funded from the
11 subaccount, except a grant recipient pursuant to
12 subdivision (d), shall be required to submit to the board
13 a monitoring and reporting plan that does all of the
14 following:

15 (1) Describes the baseline water quality of the
16 waterbody impacted.

17 (2) Describes the manner in which the proposed
18 watershed restoration activities are implemented.

19 (3) Determines the effectiveness of the watershed
20 restoration activities in preventing or reducing pollution.

21 (4) Determines, to the extent feasible, the changes in
22 the pattern of flow in affected streams, including
23 reduction of flood flows and increases in spring, summer,
24 and fall flows that result from the implementation of the
25 project.

26 (5) Determines, to the extent feasible, the economic
27 benefits resulting from changes determined pursuant to
28 paragraph (3) or (4).

29 (h) (1) A grant applicant shall inform the board with
30 regard to necessary public agency approvals,
31 entitlements, and permits that may be necessary to
32 implement the project. The municipality, local agency, or
33 nonprofit organization shall certify to the board, at the
34 appropriate time, that those approvals, entitlements, and
35 permits have been granted.

36 (2) A grant applicant shall notify, in writing, adjoining
37 landowners of its request for funding under this article
38 and the scope of the project for which the funding is
39 requested. If this paragraph requires notification of more
40 than 200 landowners, notification may be made by letter

1 to the owners of record of the 200 largest parcels and by
2 publication for at least 20 days in a local newspaper of
3 general circulation. Upon completion of the notification
4 required under this paragraph, the municipality, local
5 agency, or nonprofit organization shall inform the board
6 that the notification has occurred.

7 (i) The board may adopt regulations to carry out this
8 article.

9 (j) In awarding grants under this article, the board
10 shall consider the extent to which projects do the
11 following:

12 (1) Consider the entire ecosystem to be protected or
13 restored.

14 (2) Include definable targets and desired future
15 conditions.

16 (3) Support local community institutional capacity to
17 restore the watershed.

18 (4) Include community decisionmaking by affected
19 stakeholders in project design and fund allocation.

20 (5) Help protect intact or nearly intact ecosystems and
21 watersheds.

22 (6) Consider the economic benefits of the restoration
23 project or program.

24 (7) Address the root causes of degradation, rather than
25 the symptoms.

26 (8) Maximize the use of other restoration funds.

27 (9) Include an educational component, if appropriate.

28 (10) Improve the quality of drinking water and
29 support other beneficial uses of waters of the state,
30 including coastal waters.

31 79081. A grant recipient shall obtain written
32 permission from the landowners of the parcel of land
33 upon which the project is proposed to be carried out. The
34 written permission shall expressly consent to the actions
35 described in the grant application.

36 79082. Not more than 25 percent of a grant may be
37 awarded in advance of actual expenditures.

38 79083. (a) A grant recipient shall submit to the board
39 a report upon the completion of the project or activity
40 funded under this article. The report shall summarize the

1 completed project and identify additional steps necessary
2 to achieve the purposes of the local watershed
3 management plan. The board shall make the report
4 available to interested federal, state, and local agencies
5 and other interested parties.

6 (b) The board shall prepare and submit to the
7 Governor a biennial report regarding the
8 implementation of this article. The biennial report shall
9 include, at a minimum, a discussion relating to the extent
10 to which the purposes described in Section 79077 are
11 being furthered by the implementation of this article.

12 79084. (a) Of the funds transferred pursuant to
13 Section 79076, at least thirty-five million dollars
14 (\$35,000,000) shall be for grants to small communities.

15 (b) For the purposes of this article, “small
16 community” means a municipality with a population of
17 10,000 persons or less, a rural county, or a reasonably
18 isolated and divisible segment of a larger municipality
19 where the population of the segment is 10,000 persons or
20 less, with a financial hardship as determined by the board.

21 (c) If the board determines that any of the funds made
22 available for grants under this section will not be
23 encumbered for that purpose on or before January 1,
24 2007, the board may use these funds for other purposes of
25 this article.

26 79085. The board shall give added consideration to
27 projects that utilize the services of the California
28 Conservation Corps, community conservation corps, or
29 other local nonprofit entities employing underprivileged
30 youths.

31 79086. Notwithstanding any other provision of law,
32 the board shall terminate any grant where it is
33 determined that the project is not providing the proposed
34 watershed benefits.

35 79087. Not more than 5 percent of the total amount
36 deposited in the subaccount may be used to pay costs
37 incurred in connection with the administration of this
38 article.

39 79088. Where recovery plans for coho salmon,
40 steelhead trout, or other threatened or endangered

1 *aquatic species exist, projects funded under this article*
2 *shall be consistent with those plans, and to the extent*
3 *feasible, shall seek to implement actions specified in those*
4 *plans.*

5
6 *Article 3. Water and Watershed Education Program*
7

8 *79090. (a) There is hereby created in the account the*
9 *Water and Watershed Education Subaccount.*

10 *(b) For the purposes of this article, "subaccount"*
11 *means the Water and Watershed Education Subaccount*
12 *created by subdivision (a).*

13 *79091. The sum of three million dollars (\$3,000,000) is*
14 *hereby transferred from the account to the subaccount*
15 *for the purposes of implementing this article.*

16 *79092. The money in the subaccount, upon*
17 *appropriation by the Legislature to the department, may*
18 *be used by the department for allocation to California*
19 *State University, Fresno for the purposes of establishing*
20 *the San Joaquin Valley Water Institute at that campus.*

21
22 *Article 4. River Protection Program*
23

24 *79100. (a) There is hereby created in the account the*
25 *River Protection Subaccount.*

26 *(b) For the purposes of this article, "subaccount"*
27 *means the River Protection Subaccount created by*
28 *subdivision (a).*

29 *79101. The sum of seventy-five million dollars*
30 *(\$75,000,000) is hereby transferred from the account to*
31 *the subaccount for the purposes of implementing this*
32 *article.*

33 *79102. The money in the subaccount, upon*
34 *appropriation by the Legislature, may be used to meet*
35 *the requirements of Article 6 (commencing with Section*
36 *78682) of Chapter 6 of Division 24.*

37 *79103. At least 60 percent of the funds transferred*
38 *pursuant to Section 79101 shall be used for projects that*
39 *are located in, or in close proximity to, major*
40 *metropolitan areas.*

1 79104. Not more than 3 percent of the total amount
2 deposited in the subaccount may be used to pay the costs
3 incurred in connection with the administration of this
4 article.

5
6 Article 5. Southern California Integrated Watershed
7 Program
8

9 79104.20. The Legislature hereby finds and declares
10 all of the following:

11 (a) The Santa Ana Watershed is experiencing
12 increased water demands due to significant population
13 growth that has caused undue infrastructure dependence
14 and strain on imported water supplies.

15 (b) Regional programs have been developed to
16 address the problems facing the watershed. These
17 programs have four main elements, as follows:

18 (1) Storage of more than one million acre-feet of water
19 from wet years in groundwater storage basins.

20 (2) Conservation, including water use efficiency and
21 reclamation that results in the substantial development of
22 new usable supplies.

23 (3) Desalting and treatment of brackish water to allow
24 poor quality water to be reclaimed and used.

25 (4) Enhancement of native habitat along the river and
26 its tributaries.

27 (c) The water supply programs proposed by the Santa
28 Ana Watershed Project Authority will develop significant
29 new water supply and storage capabilities, thereby
30 reducing the imported water needs of urban southern
31 California, especially during dry years.

32 79104.22. (a) There is hereby created in the account
33 the Santa Ana River Watershed Subaccount.

34 (b) For purposes of this article, “subaccount” means
35 the Santa Ana River Watershed Subaccount created by
36 subdivision (a).

37 79104.24. The sum of one hundred seventy-five
38 million dollars (\$175,000,000) is hereby transferred from
39 the account to the subaccount.

1 79104.26. *The money in the subaccount, upon*
2 *appropriation by the Legislature to the board, may be*
3 *used by the board for allocation to the Santa Ana*
4 *Watershed Project Authority for all of the following*
5 *projects for the purposes of rehabilitating and improving*
6 *the Santa Ana River Watershed:*

7 (a) *Basin water banking in one or more of the*
8 *following basins: Chino, Colton, Orange County,*
9 *Riverside, San Bernardino, and San Jacinto.*

10 (b) *Contaminant and salt removal through*
11 *reclamation and desalting in Orange County, San Jacinto,*
12 *or other basins in the watershed.*

13 (c) *Removal of nonnative plants, and the creation of*
14 *new open space and wetlands.*

15 (d) *Programs for water conservation and efficiency,*
16 *public education, and storm water capture and*
17 *management.*

18 (e) *Planning and implementation of a flood control*
19 *program to protect agricultural operations and adjacent*
20 *property and to assist in abating the effects of waste*
21 *discharges into waters of the state, consistent with the*
22 *requirements of Section 13442.*

23 79104.30. *It is the intent of the Legislature to urge the*
24 *federal government to allocate funds for projects to*
25 *improve the Santa Ana River Watershed to match the*
26 *state's financial commitment to the projects described in*
27 *this article.*

28 79104.32. *It is the intent of the Legislature that the*
29 *expenditure of the funds under this article be made*
30 *through a broad-based watershed stakeholder process.*

31 79104.34. *Not more than 3 percent of the total amount*
32 *deposited in the subaccount may be used to pay costs*
33 *incurred by the board in connection with the*
34 *administration of this article.*

35

1 Article 6. *Lake Elsinore and San Jacinto Watershed*
2 *Program*

3
4 79104.100. (a) *There is hereby created in the account*
5 *the Lake Elsinore and San Jacinto Watershed*
6 *Subaccount.*

7 (b) *For the purposes of this article, “subaccount”*
8 *means the Lake Elsinore and San Jacinto Watershed*
9 *Subaccount created by subdivision (a).*

10 79104.102. *The sum of fifteen million dollars*
11 *(\$15,000,000) is hereby transferred from the account to*
12 *the subaccount.*

13 79104.104. *The money in the subaccount, upon*
14 *appropriation by the Legislature to the board, may be*
15 *used by the board to rehabilitate and improve the Lake*
16 *Elsinore Watershed and San Jacinto Watershed and the*
17 *water quality of Lake Elsinore by funding one or more of*
18 *the following projects: watershed monitoring, storm*
19 *channel modification, nutrient control, aeration,*
20 *wetlands restoration and enhancement, wildlife habitat*
21 *enhancement, fishery enhancement, calcium quicklime*
22 *treatment, and sediment removal, or for grants awarded*
23 *by the board to the Santa Ana Watershed Project*
24 *Authority, other joint powers authorities, or local public*
25 *agencies for any of these purposes, and for related*
26 *planning and administrative costs.*

27 79104.106. *To the maximum extent feasible, the*
28 *watershed management and flood control projects*
29 *described in Section 79104.104 shall do one or more of the*
30 *following:*

31 (a) *Preserve agricultural land.*

32 (b) *Protect wildlife habitat.*

33 (c) *Protect and enhance recreational resources.*

34 (d) *Improve lake water quality.*

35 79104.108. *It is the intent of the Legislature to urge*
36 *the federal government to allocate funds for projects to*
37 *improve the Lake Elsinore Watershed and San Jacinto*
38 *Watershed, and lake water quality by matching the state’s*
39 *financial commitment to those projects.*

1 79104.110. *Of the funds appropriated pursuant to*
2 *Section 79104.104, fifteen million dollars (\$15,000,000)*
3 *shall be allocated to a joint powers agency consisting of*
4 *the City of Lake Elsinore, the Santa Ana Watershed*
5 *Project Authority, the Elsinore Valley Municipal Water*
6 *District and other agencies for implementation of*
7 *programs to improve the water quality and habitat of*
8 *Lake Elsinore, and its back basin consistent with the Lake*
9 *Elsinore Management Plan.*

10 79104.114. *Not more than 3 percent of the total*
11 *amount deposited in the subaccount may be used to pay*
12 *costs incurred in connection with the administration of*
13 *this article.*

14
15 Article 7. *Coastal Watershed Salmon Habitat Program*

16
17 79104.200. (a) *There is hereby created in the account*
18 *the Coastal Watershed Salmon Habitat Subaccount.*

19 (b) *For the purpose of this article, “subaccount”*
20 *means the Coastal Watershed Salmon Habitat*
21 *Subaccount created by subdivision (a).*

22 79104.202. *The sum of twenty-five million dollars*
23 *(\$25,000,000) is hereby transferred from the account to*
24 *the subaccount for the purposes of implementing this*
25 *article.*

26 79104.204. *The money in the subaccount, upon*
27 *appropriation by the Legislature to the Department of*
28 *Fish and Game, shall be used by the Department of Fish*
29 *and Game for direct expenditure and for grants to public*
30 *agencies and nonprofit organizations to protect, restore,*
31 *acquire, and enhance habitat for salmon. These funds*
32 *may be used to match federal funding available for those*
33 *purposes.*

34 79104.206. *Not more than 3 percent of the total*
35 *amount deposited in the subaccount may be used to pay*
36 *the costs incurred in connection with the administration*
37 *of this article.*

38

CHAPTER 7. CLEAN WATER AND WATER RECYCLING
PROGRAM

Article 1. Clean Water and Water Recycling Account

79105. For the purposes of this chapter, “account” means the Clean Water and Water Recycling Account created by Section 79106.

79106. The Clean Water and Water Recycling Account is hereby created in the fund. The sum of three hundred forty-five million dollars (\$345,000,000) is hereby transferred from the fund to the account.

Article 2. Nonpoint Source Pollution Control Program

79110. The purpose of this article is to provide grant funding for projects that protect the beneficial uses of water throughout the state through the control of nonpoint source pollution.

79111. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) “Best management practices” means those practices or set of practices determined by the board, a regional board, or the water quality planning agency for a designated area to be the most effective feasible means of preventing or reducing the generation of a specific type of nonpoint source pollution, given technological, institutional, environmental, and economic constraints.

(b) “Capital costs” has the same meaning as “cost,” as defined in Section 32025 of the Public Resources Code.

(c) “Management measures” means economically achievable measures to prevent or control the addition of pollutants to state waters, which reflect the greatest degree of pollutant prevention achievable through the application of the best available nonpoint source pollution control practices, technologies, processes, siting criteria, operating methods, or other alternatives.

(d) “Regional board” means a regional water quality control board.

1 (e) “Subaccount” means the Nonpoint Source
2 Pollution Control Subaccount created by Section 79112.

3 79112. There is hereby created in the account the
4 Nonpoint Source Pollution Control Subaccount.

5 79113. The sum of one hundred million dollars
6 (\$100,000,000) is hereby transferred from the account to
7 the subaccount for the purposes of implementing this
8 article.

9 79114. (a) The money in the subaccount, upon
10 appropriation by the Legislature to the board, may be
11 used by the board to award grants, not to exceed five
12 million dollars (\$5,000,000) per project, to local public
13 agencies or nonprofit organizations formed by
14 landowners to prepare and implement local nonpoint
15 source plans. Grants shall only be awarded for any of the
16 following projects:

17 (1) A project that is consistent with local watershed
18 management plans that are developed under subdivision
19 (d) of Section 79080 and with regional water quality
20 control board plans.

21 (2) A broad-based nonpoint source project, including
22 a project identified in the board’s “Initiatives in NPS
23 Management,” dated September 1995, and nonpoint
24 source technical advisory committee reports.

25 (3) A project that is consistent with the “Integrated
26 Plan for Implementation of the Watershed Management
27 Initiative” prepared by the board and the regional
28 boards.

29 (4) A project that implements management measures
30 and practices or other needed projects identified by the
31 board pursuant to its nonpoint source pollution control
32 program’s 15-year implementation strategy and five-year
33 improvement plan that meets the requirements of
34 Section 6217(g) of the federal Coastal Zone Act
35 Reauthorization Amendments of 1990.

36 (b) The projects funded from the subaccount shall
37 demonstrate a capability of sustaining water quality
38 benefits for a period of 20 years. Categories of nonpoint
39 source pollution addressed by projects may include, but
40 are not limited to: silviculture, agriculture, urban runoff,

1 mining, hydromodification, grazing, onsite disposal
2 systems, boatyards and marinas, and confined animal
3 operations. Projects to address nonpoint source pollution
4 may include, but are not limited to, wildfire
5 management, installation of vegetative systems to filter
6 or retard pollutant loading, incentive programs or large
7 scale demonstration programs to reduce commercial
8 reliance on polluting substances or to increase
9 acceptance of alternative methods and materials, and
10 engineered features to minimize impacts of nonpoint
11 source pollution. Projects shall have defined water quality
12 or beneficial use goals.

13 (c) Projects funded from the subaccount shall utilize
14 best management practices, management measures, or
15 both.

16 (d) If projects include capital costs, those costs shall be
17 identified by the project applicant. The grant recipient
18 shall provide a matching contribution for the portion of
19 the project consisting of capital expenditures for
20 construction, according to the following formula:

Project Capital Cost/Capital Cost Match by Recipient		
23	\$1,000,000 to \$5,000,000, inclusive	20%
24	\$125,000 to \$999,999, inclusive	15%
25	\$1 to \$124,999, inclusive	10%

26
27 (e) Not more than 25 percent of a grant may be
28 awarded in advance of actual expenditure.

29 (f) A proponent of a project funded from the
30 subaccount shall be required to submit to the board a
31 monitoring and reporting plan that does all of the
32 following:

33 (1) Identifies one or more nonpoint sources of
34 pollution.

35 (2) Describes the baseline water quality of the
36 waterbody impacted.

37 (3) Describes the manner in which the proposed
38 practices or measures are implemented.

1 (4) *Determines the effectiveness of the proposed*
2 *practices or measures in preventing or reducing*
3 *pollution.*

4 (g) *Notwithstanding subdivision (b), the board may*
5 *award up to 5 percent of the total amount deposited in the*
6 *subaccount for demonstration projects that are intended*
7 *to prevent, reduce, or treat nonpoint source pollution.*

8 (h) *A grant recipient shall submit a report to the*
9 *board, upon completion of the project, that summarizes*
10 *completed activities and indicates whether the purposes*
11 *of the project have been met. The report shall include*
12 *information collected by the grant recipient in*
13 *accordance with the project monitoring and reporting*
14 *plan, including a determination of the effectiveness of the*
15 *best management practices or management measures*
16 *implemented as part of the project in preventing or*
17 *reducing nonpoint source pollution. The board shall*
18 *make the report available to watershed groups, and*
19 *federal, state, and local agencies.*

20 79114.2. *Notwithstanding any other provision of this*
21 *article, the sum of five million dollars (\$5,000,000) is*
22 *hereby appropriated from the subaccount, to the board*
23 *to be used by the board, after consultation with the*
24 *Department of Food and Agriculture, for loans, not to*
25 *exceed five hundred thousand dollars (\$500,000) per*
26 *loan, to provide low interest loans to finance the*
27 *construction of projects designed to manage animal*
28 *nutrients from animal feeding operations. Additional*
29 *loans may be made available to local public agencies to*
30 *pay for the cost of developing ordinances, regulations,*
31 *and elements for their General Plan or other planning*
32 *devices to assist in providing uniform standards for the*
33 *permitting and operation of confined animal operations*
34 *within their jurisdictions. These funds may also be used*
35 *for the preparation of the related environmental reviews*
36 *that may be necessary under the California*
37 *Environmental Quality Act (Division 13 (commencing*
38 *with Section 21000) of the Public Resources Code) for*
39 *approval of the devices.*

1 79114.3. No project shall receive funds under this
2 article if it receives funds pursuant to Article 5
3 (commencing with Section 79148).

4 79114.5. (a) Sixty percent of the money in the
5 subaccount shall be allocated to projects in the Counties
6 of Riverside, Ventura, Los Angeles, San Diego, Orange,
7 or San Bernardino.

8 (b) Forty percent of the money in the subaccount shall
9 be allocated to projects in counties not described in
10 subdivision (a).

11 79115. The board shall adopt regulations to
12 implement this article.

13 79116. Not more than 3 percent of the total amount
14 deposited in the subaccount may be used to pay the costs
15 incurred in connection with the administration of this
16 article.

17 79117. (a) Notwithstanding any other provision of
18 this article, of the funds transferred pursuant to Section
19 79113, the sum of ten million dollars (\$10,000,000), upon
20 appropriation by the Legislature to the board, may be
21 used by the board, after consultation with the
22 Department of Pesticide Regulation and the Office of
23 Environmental Health Hazard Assessment, for grants as
24 follows:

25 (1) Two million dollars (\$2,000,000) for research and
26 source identification.

27 (2) Eight million dollars (\$8,000,000) for mitigation
28 measures to protect water quality from potential adverse
29 effects of pesticides, which measures have the ability to
30 provide benefits for a period of 20 years, as determined
31 by the board after consultation with the Department of
32 Pesticide Regulation and the Office of Environmental
33 Health Hazard Assessment.

34 (b) The board shall adopt regulations to carry out this
35 section.

36



Article 3. *Clean Water Program*

79120. *Unless the context otherwise requires, the following definitions govern the construction of this article:*

(a) *“Eligible project” means a project or activity described in paragraph (1), (2), (3), or (4) of subdivision (a) of Section 13480 that is all of the following:*

(1) *Necessary to prevent water pollution, reclaim water, or improve water quality.*

(2) *Eligible for funds from the State Revolving Fund Loan Subaccount or federal assistance.*

(3) *Certified by the board as entitled to priority over other eligible projects.*

(4) *Complies with applicable water quality standards, policies, and plans.*

(b) *“Federal assistance” means money provided to a municipality, either directly or through allocation by the state, from the federal government to construct eligible projects pursuant to the Clean Water Act.*

(c) *“Municipality” has the same meaning as defined in the Clean Water Act and also includes the state or any agency, department, or political subdivision thereof, and applicants eligible for technical assistance under Section 319 (33 U.S.C. Sec. 1329) or grants under Section 320 of the Clean Water Act (33 U.S.C. Sec. 1330).*

(d) *“Small community” means a municipality with a population of 10,000 persons or less, or a reasonably isolated and divisible segment of a larger municipality where the segment of the population is 10,000 persons or less, with a financial hardship as determined by the board.*

(e) *“Treatment works” has the same meaning as defined in the Clean Water Act.*

79121. *There is hereby created in the account all of the following subaccounts:*

(a) *The State Revolving Fund Loan Subaccount.*

(b) *The Small Communities Grant Subaccount.*

(c) *The Groundwater Remediation Subaccount.*

(d) *The Wastewater Construction Grant Subaccount.*

1 79122. (a) The following amounts are hereby
2 transferred from the account to the following
3 subaccounts and, notwithstanding Section 13340 of the
4 Government Code, are hereby continuously
5 appropriated, without regard to fiscal years, to the board,
6 as follows:

7 (1) Thirty million five hundred thousand dollars
8 (\$30,500,000) to the State Revolving Fund Loan
9 Subaccount for the purposes of providing loans pursuant
10 to the Clean Water Act, to aid in the construction or
11 implementation of eligible projects, and for the purposes
12 described in Section 79124.

13 (2) Thirty-four million dollars (\$34,000,000) to the
14 Small Communities Grant Subaccount for grants by the
15 board to small communities for construction of eligible
16 treatment works, and for the purposes described in
17 Section 79124.

18 (3) Thirty-five million five hundred thousand dollars
19 (\$35,500,000) to the Wastewater Construction Grant
20 Subaccount for the purposes of providing grants to aid in
21 the construction of treatment works for the cities of
22 Manteca, Stockton, Tracy, and Orange Cove.

23 (b) The board may transfer unallocated funds from
24 the State Revolving Fund Loan Subaccount to the State
25 Water Pollution Control Revolving Fund created
26 pursuant to Section 13477 for the purposes of meeting
27 federal requirements for state matching funds to provide
28 loans in accordance with the Clean Water Act.

29 79123. The board may adopt regulations to carry out
30 this article.

31 79124. The board may, by contract or otherwise,
32 undertake plans, surveys, research, development, and
33 studies necessary or desirable to carry out this article, and
34 may prepare recommendations with regard thereto,
35 including the preparation of comprehensive statewide or
36 areawide studies and reports on the collection, treatment,
37 and disposal of waste, and wastewater recycling. For the
38 purposes of this section, “research” may include the
39 design, acquisition, installation, or construction of
40 monitoring and testing equipment and related facilities.

1 79125. Not more than 3 percent of the total amount
2 deposited in each subaccount created pursuant to this
3 article may be used to pay the costs incurred in
4 connection with the administration of this article.

5 79126. Not more than 2 percent of the Small
6 Communities Grant Subaccount may be used for the
7 purposes of Section 79124.

8 79127. For the purposes of implementing paragraph
9 (1) of subdivision (a) of Section 79122, the board may
10 make loans to municipalities, pursuant to contract, to aid
11 in the construction or implementation of eligible
12 projects.

13 79128. (a) For purposes of paragraph (2) of
14 subdivision (a) of Section 79122, the board may make
15 grants to small communities so that any state grant does
16 not exceed 97½ percent of the eligible cost of necessary
17 studies, planning, design, and construction of the eligible
18 project determined in accordance with applicable state
19 law and regulations.

20 (b) The total amount of grants made pursuant to
21 paragraph (2) of subdivision (a) of Section 79122, for any
22 single project, may not exceed three million five hundred
23 thousand dollars (\$3,500,000).

24 79128.5. For the purposes of paragraph (3) of
25 subdivision (a) of Section 79122, the board may make
26 grants for the cost of planning, design, and construction
27 of treatment works necessary to comply with waste
28 discharge requirements.

29 79129. Any contract entered into pursuant to this
30 article for a loan or grant may include provisions
31 determined by the board, and shall include all of the
32 following provisions:

33 (a) An estimate of the reasonable cost of the project.

34 (b) A description of the type of assistance being
35 offered.

36 (c) An agreement by the board to pay to the
37 municipality or small community, during the progress of
38 the project or following completion, as agreed upon by
39 the parties, the amount specified in the contract
40 determined pursuant to applicable federal and state laws.

1 (d) An agreement by the municipality or small
2 community to proceed expeditiously with, and complete,
3 the project, commence operation of the project upon
4 completion, properly operate and maintain the project in
5 accordance with applicable provisions of law, and provide
6 for payment of its share of the costs of the project.

7 79130. All contracts entered into pursuant to this
8 article for loans or grants are subject to both of the
9 following requirements:

10 (a) Municipalities seeking assistance shall
11 demonstrate, to the satisfaction of the board, that an
12 adequate opportunity for public participation regarding
13 the project has been provided.

14 (b) Any election held with respect to the project shall
15 include the voters of the entire municipality unless the
16 municipality proposes to accept the assistance on behalf
17 of a specified portion or portions of the municipality, in
18 which case the election shall be held in that portion or
19 portions of the municipality only.

20 79131. Any loan made pursuant to Section 79127 shall
21 meet the requirements of paragraph (1) of subdivision
22 (b) of Section 13480.

23 79132. All principal and interest payments received
24 pursuant to loan contracts entered into pursuant to this
25 article shall be deposited in the State Revolving Fund
26 Loan Subaccount for the purposes of entering into
27 additional loans under this article, and shall not be
28 transferred to the General Fund.

29 79133. The sum of twenty million dollars
30 (\$20,000,000) is hereby transferred from the account to
31 the Groundwater Remediation Subaccount for use, upon
32 appropriation by the Legislature, as follows:

33 (a) Thirteen million dollars (\$13,000,000) may be
34 transferred to the Site Remediation Account established
35 pursuant to Section 25337 of the Health and Safety Code
36 for use by the Department of Toxic Substances Control,
37 in consultation with the board, to pay for the state's share
38 of direct site remediation costs as defined in Section 25337
39 of the Health and Safety Code, for response actions to
40 groundwater contamination at orphan sites.

1 (b) (1) Seven million dollars (\$7,000,000) may be
2 used by the Department of Toxic Substances Control for
3 allocation to local agencies for groundwater remediation
4 projects.

5 (2) The Department of Toxic Substances Control shall
6 adopt regulations to carry out this subdivision.

7
8 Article 4. Water Recycling Program
9

10 79135. Unless the context otherwise requires, the
11 following definitions govern the construction of this
12 article:

13 (a) "Municipality" has the same meaning as that set
14 forth in subdivision (c) of Section 79120.

15 (b) "Subaccount" means the Water Recycling
16 Subaccount created by Section 79136.

17 (c) "Water recycling project" means a water recycling
18 project that meets applicable reclamation criteria and
19 water reclamation requirements and that complies with
20 applicable water quality standards, policies, and plans.

21 79136. There is hereby created in the account the
22 Water Recycling Subaccount.

23 79137. (a) The sum of thirty million dollars
24 (\$30,000,000) is hereby transferred from the account to
25 the subaccount for the purposes of this article.

26 (b) (1) Sixty percent of the money in the subaccount
27 shall be allocated to projects in the Counties of Riverside,
28 Ventura, Los Angeles, San Diego, Orange, or San
29 Bernardino.

30 (2) Forty percent of the money in the subaccount shall
31 be allocated to projects in counties not described in
32 paragraph (1).

33 79138. Unallocated funds remaining in the Water
34 Recycling Subaccount in the Clean Water and Water
35 Recycling Account in the Safe, Clean, Reliable Water
36 Supply Fund on March 8, 2000, shall be transferred to, and
37 all money repaid to the state pursuant to any loan
38 contract executed under Chapter 17 (commencing with
39 Section 14050) of Division 7 or Article 3 (commencing
40 with Section 78620) of Chapter 5 of Division 24 shall be

1 deposited in, the subaccount for the purposes of this
2 article.

3 79139. The board may enter into an agreement with
4 the federal government for federal contributions to the
5 subaccount if all of the following conditions have been
6 met:

7 (a) The board has identified any required matching
8 funds.

9 (b) The board is prepared to commit to the
10 expenditure of any minimum amount in the subaccount
11 in the manner required by the Clean Water Act.

12 (c) Any agreement between the board and the federal
13 government is consistent with the purposes of this article.

14 79140. (a) Notwithstanding Section 13340 of the
15 Government Code, 50 percent of the money in the
16 subaccount is hereby continuously appropriated, without
17 regard to fiscal years, to the board for loans to
18 municipalities for the design and construction of water
19 recycling projects in accordance with Section 79141, and
20 for the purposes described in Sections 79143, 79144, and
21 Section 79145.

22 (b) Fifty percent of the money in the subaccount,
23 upon appropriation by the Legislature to the board, may
24 be used by the board for grants to municipalities for the
25 design and construction of water recycling projects in
26 accordance with Section 79141.

27 79141. The board may enter into agreements with
28 municipalities for loans and grants for projects to recycle
29 water in accordance with this article. Criteria to be
30 considered by the board in determining whether to enter
31 into an agreement under this article may include, but are
32 not limited to, whether the project is a cost-effective
33 means to meet the state or local water supply needs, when
34 compared to other sources of water supply that may be
35 available to the municipality, whether the project is
36 necessary to protect water quality, the readiness of the
37 municipality to proceed with the design and construction
38 of water recycling projects, the degree to which the
39 recycled water improves water supply reliability, water
40 quality, ecosystem restoration, and other environmental



1 *benefits, the net water savings benefit, the degree to*
 2 *which the recycled water would reduce water supply*
 3 *demands on the bay-delta system, the Colorado River, or*
 4 *other water systems critical to regional or statewide water*
 5 *supply, the ability to encourage development of new*
 6 *water recycling projects, and the amount of funding that*
 7 *the municipality is requesting under this article. The*
 8 *cost-effectiveness of a project when compared to other*
 9 *sources of state or local water supply shall not be the sole*
 10 *factor in determining whether to enter into an*
 11 *agreement.*

12 *79142. An agreement entered into pursuant to*
 13 *Section 79141 may include those provisions determined*
 14 *by the board to be necessary for the purposes of this*
 15 *article.*

16 *79142.2. (a) A contract for a loan made pursuant to*
 17 *this article may not provide for a moratorium on, or the*
 18 *deferment of, the payment of the principal of, or interest*
 19 *on, the loan.*

20 *(b) Any loan made pursuant to Section 79141 shall be*
 21 *for a period not to exceed 20 years.*

22 *(c) The board may enter into a contract for a loan that*
 23 *equals up to 100 percent of the total eligible cost of design*
 24 *and construction of an eligible recycling project.*

25 *79142.4. (a) The board may establish the interest rate*
 26 *for a loan made pursuant to this article at a rate equal to*
 27 *50 percent of the interest rate paid by the state on the*
 28 *most recent sale of state general obligation bonds, to be*
 29 *computed according to the true interest cost method.*

30 *(b) If the interest rate so determined is not a multiple*
 31 *of one-tenth of 1 percent, the interest rate shall be set at*
 32 *the next higher multiple of one-tenth of 1 percent.*

33 *(c) The interest rate set for each contract shall be*
 34 *applied throughout the repayment period of the*
 35 *contract. There shall be a level annual repayment of*
 36 *principal and interest on the loans.*

37 *79142.6. All principal and interest payments received*
 38 *pursuant to loan contracts executed pursuant to this*
 39 *article shall be deposited in the subaccount for the*

1 *purposes of this article, and shall not be transferred to the*
2 *General Fund.*

3 *79142.8. All interest earned by assets in the*
4 *subaccount shall be deposited in the subaccount.*

5 *79143. The board may make grants to municipalities*
6 *for facility planning studies for water recycling projects.*
7 *The amount of the grants may not exceed seventy-five*
8 *thousand dollars (\$75,000) per study.*

9 *79144. The board may, by contract or otherwise,*
10 *undertake plans, surveys, research, development, and*
11 *studies necessary or desirable to carry out this article, and*
12 *may prepare recommendations with regard thereto,*
13 *including the preparation of comprehensive statewide or*
14 *areawide studies and reports on the collection, treatment,*
15 *and disposal of waste and wastewater recycling. For the*
16 *purposes of this section, “research” may include the*
17 *design, acquisition, installation, or construction of*
18 *monitoring and testing equipment and related facilities.*

19 *79145. (a) Until March 8, 2001, not more than 3*
20 *percent of the total amount deposited in the subaccount*
21 *may be used to pay the costs incurred in connection with*
22 *the administration of this article. After that date, not*
23 *more than 3 percent of the total amount of funds allocated*
24 *by contract for the purposes of this article may be used to*
25 *pay the costs incurred in connection with the*
26 *administration of this article.*

27 *(b) Not more than 2 percent of the total amount*
28 *deposited in the subaccount may be used for the purposes*
29 *of Section 79144.*

30 *79146. Notwithstanding any other provision of this*
31 *article, the money in the subaccount may not be used to*
32 *provide financial assistance to any water recycling*
33 *project used to augment water supplies by discharging*
34 *recycled water into a surface water reservoir that*
35 *supplies water directly to a treatment facility for a water*
36 *supply system that serves domestic uses.*

37 *79147. The board may adopt regulations to carry out*
38 *this article.*

39

Article 5. Coastal Nonpoint Source Control Program

79148. The purpose of this article is to provide funding for projects that restore and protect the water quality and environment of coastal waters, estuaries, bays, and near shore waters and groundwaters.

79148.2. Unless the context otherwise requires, the following definitions govern the construction of this article:

(a) "Educational institution" means community colleges, state colleges, and the University of California.

(b) "Local public agency" means any city, county, city and county, district, or other political subdivision of the state.

(c) "Municipality" has the same meaning as defined in the Clean Water Act and also includes the state or any agency, department, or political subdivision thereof, and applicants eligible for technical assistance under Section 319 (33 U.S.C. Sec. 1329) or grants under Section 320 of the Clean Water Act (33 U.S.C. Sec. 1330).

(d) "Nonprofit organization" means any California corporation organized under Section 501(c)(3) or 501(c)(5) of the Internal Revenue Code.

(e) "Regional board" means a regional water quality control board.

(f) "Subaccount" means the Coastal Nonpoint Source Control Subaccount created by Section 79148.4.

79148.4. There is hereby created in the account the Coastal Nonpoint Source Control Subaccount.

79148.6. The sum of seventy million dollars (\$70,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

79148.8. (a) The money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board in consultation with the California Coastal Commission, to award loans as provided in subdivision (b), and to award grants not to exceed five million dollars (\$5,000,000) per project, to municipalities, local public agencies, educational institutions, or

1 *nonprofit organizations for the purposes of this article.*
2 *Grants may be awarded for any of the following projects:*

3 *(1) A project designed to improve water quality at*
4 *public beaches and to make improvements for the*
5 *purpose of ensuring that coastal waters adjacent to public*
6 *beaches meet the bacteriological standards set forth in*
7 *Article 2 (commencing with Section 115880) of Chapter*
8 *5 of Part 10 of Division 104 of the Health and Safety Code.*

9 *(2) A project to provide comprehensive capability for*
10 *monitoring, collecting, and analyzing ambient water*
11 *quality, including monitoring technology that can be*
12 *entered into a statewide information base with*
13 *standardized protocols and sampling, collection, storage*
14 *and retrieval procedures.*

15 *(3) A project to make improvements to existing sewer*
16 *collection systems and septic systems for the restoration*
17 *and protection of coastal water quality.*

18 *(4) A project designed to implement storm water and*
19 *runoff pollution reduction and prevention programs for*
20 *the restoration and protection of coastal water quality.*

21 *(5) A project that is consistent with the state's*
22 *nonpoint source control program, as revised to meet the*
23 *requirements of Section 6217 of the federal Coastal Zone*
24 *Act Reauthorization Amendments of 1990, Section 319 of*
25 *the federal Clean Water Act (33 U.S.C. Sec. 1329), and the*
26 *requirements of Division 7 (commencing with Section*
27 *13000).*

28 *(b) In addition to the grants authorized pursuant to*
29 *subdivision (a), the board may make loans not to exceed*
30 *five million dollars (\$5,000,000) per project to*
31 *municipalities, local public agencies, educational*
32 *institutions, or nonprofit organizations for the purposes*
33 *set forth in paragraph (3) of subdivision (a).*

34 *(c) The projects funded from the subaccount shall*
35 *demonstrate the capability of contributing to sustained,*
36 *long-term water quality or environmental restoration or*
37 *protection benefits for a period of 20 years, shall address*
38 *the causes of degradation, rather than the symptoms, and*
39 *shall be consistent with water quality and resource*
40 *protection plans prepared, implemented, or adopted by*

1 the board, the applicable regional water quality control
2 board, and the California Coastal Commission.

3 (d) An applicant for funds from the subaccount shall
4 be required to submit to the board a monitoring and
5 reporting plan that does all of the following:

6 (1) Identifies the nonpoint source or sources of
7 pollution to be prevented or reduced by the project.

8 (2) Describes the baseline water quality or quality of
9 the environment to be addressed.

10 (3) Describes the manner in which the project is
11 effective in preventing or reducing pollution and in
12 demonstrating the desired environmental results.

13 (e) Upon completion of the project, a recipient of
14 funds from the subaccount shall submit a report to the
15 board that summarizes the completed activities and
16 indicates whether the purposes of the project have been
17 met. The report shall include information collected by
18 the recipient in accordance with the project monitoring
19 and reporting plan, including a determination of the
20 effectiveness of the project in preventing or reducing
21 pollution. The board shall make the report available to
22 the public, watershed groups, and federal, state, and local
23 agencies.

24 (f) If projects include capital costs for construction,
25 those costs shall be identified by the project applicant.
26 The grant recipient shall provide a matching
27 contribution for the portion of the project consisting of
28 capital costs for construction, according to the following
29 formula:

30
31 *Capital Cost Project Cost/Capital Cost Match by Recipient*

32 \$1,000,000 to \$5,000,000, inclusive	20%
33 \$125,000 to \$999,999, inclusive	15%
34 \$1 to \$124,999, inclusive	10%

35
36 For the purposes of this subdivision, “capital costs” has
37 the same meaning as “cost” as defined in Section 32025 of
38 the Public Resources Code.

39 (g) Not more than 25 percent of a grant may be
40 awarded in advance of actual expenditure.

1 (h) An applicant for funds from the subaccount shall
2 inform the board of any necessary public agency
3 approvals, entitlements, and permits that may be
4 necessary to implement the project. The application shall
5 certify to the board, at the appropriate time, that those
6 approvals, entitlements, and permits have been granted.

7 (i) Where recovery plans for coho salmon, steelhead
8 trout, or other threatened or endangered aquatic species
9 exist, projects funded under this article shall be consistent
10 with those plans, and to the extent feasible, shall seek to
11 implement actions specified in those plans.

12 79148.10. (a) Sixty percent of the money in the
13 subaccount shall be allocated to projects in the Counties
14 of Riverside, Ventura, Los Angeles, San Diego, Orange,
15 or San Bernardino.

16 (b) Forty percent of the money in the subaccount shall
17 be allocated to projects in the counties not described in
18 subdivision (a).

19 79148.12. The board shall provide opportunity for
20 public review and comment in awarding funds pursuant
21 to this article, and may, in consultation with the California
22 Coastal Commission, adopt regulations to implement this
23 article.

24 79148.14. No project shall receive funds under this
25 article if it receives funds pursuant to Article 2
26 (commencing with Section 79111).

27 79148.16. Not more than 3 percent of the total amount
28 deposited in the subaccount may be used to pay the costs
29 incurred in connection with the administration of this
30 article.

31
32 Article 6. Seawater Intrusion Control

33
34 79149. Unless the context otherwise requires, the
35 following definitions govern the construction of this
36 article:

37 (a) (1) "Eligible seawater intrusion control project"
38 means a project that is all of the following:

39 (A) Necessary to protect groundwater and meets both
40 of the following requirements:

(i) The project is within a basin that is subject to a local groundwater management plan for which a review is completed pursuant to the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(ii) The project is threatened by seawater intrusion in an area where restrictions on groundwater pumping, a physical solution, or both, are necessary to prevent the destruction of, or irreparable injury to, groundwater quality.

(B) Cost-effective. In the case of a project that would provide a substitute water supply, the project shall be cost-effective as compared to the development of other new sources of water and shall include requirements or measures adequate to ensure that the substitute supply will be used in lieu of previously established extractions or diversions of groundwater.

(C) Complies with applicable water quality standards, policies, and plans.

(2) Eligible projects may include, but are not limited to, water conservation, freshwater well injection, and substitution of groundwater pumping from local surface supplies.

(b) "Local agency" means any city, county, district, joint powers authority, or other political subdivision of the state involved in water management.

(c) "Subaccount" means the Seawater Intrusion Control Subaccount created by Section 79149.2.

79149.2. (a) There is hereby created in the account the Seawater Intrusion Control Subaccount. The sum of twenty-five million dollars (\$25,000,000) is hereby transferred from the account to the subaccount for the purposes of implementing this article.

(b) The money in the subaccount, upon appropriation by the Legislature to the board, may be used by the board for loans to local agencies to carry out eligible seawater intrusion control projects and for the purposes described in this article and for the administration of this article.

79149.3. Unallocated funds remaining in the Seawater Intrusion Control Subaccount in the Clean Water and

1 *Water Recycling Account in the Safe, Clean, Reliable*
2 *Water Supply Fund on March 8, 2000, shall be transferred*
3 *to, and all money repaid to the state pursuant to any loan*
4 *contract executed under Article 6 (commencing with*
5 *Section 78648) of Chapter 5 of Division 24 shall be*
6 *deposited in, the subaccount for the purposes of this*
7 *article.*

8 79149.4. *The board may enter into contracts to make*
9 *loans to local agencies for the purposes set forth in this*
10 *article.*

11 79149.6. *Any contract for a loan entered into pursuant*
12 *to Section 79149.4 may include those provisions*
13 *determined by the board to be necessary for purposes of*
14 *this article and shall include both of the following*
15 *provisions:*

16 (a) *An estimate of the reasonable cost of the eligible*
17 *seawater intrusion control project.*

18 (b) *An agreement by the local agency to proceed*
19 *expeditiously with, and complete, the eligible seawater*
20 *intrusion control project, commence operation of the*
21 *project in accordance with applicable provisions of law,*
22 *and provide for the payment of the local agency's share*
23 *of the cost of the project, including the principal of, and*
24 *interest on, the loan.*

25 79149.8. (a) *A contract for a loan may not provide for*
26 *a moratorium on the payment of the principal of, or*
27 *interest on, the loan.*

28 (b) *Any loan made pursuant to Section 79149.4 shall be*
29 *for a period not to exceed 20 years.*

30 (c) *The board may enter into a contract for a loan*
31 *amount that equals up to 100 percent of the total eligible*
32 *cost of design and construction of an eligible seawater*
33 *intrusion control project.*

34 79149.10. (a) *The board shall establish the interest*
35 *rate for a loan made pursuant to this article at a rate equal*
36 *to 50 percent of the interest rate paid by the state on the*
37 *most recent sale of state general obligation bonds, to be*
38 *computed according to the true interest cost method.*

1 (b) If the interest rate so determined is not a multiple
2 of one-tenth of 1 percent, the interest rate shall be set at
3 the next higher multiple of one-tenth of 1 percent.

4 (c) The interest rate set for each contract shall be
5 applied throughout the repayment period of the
6 contract. There shall be a level annual repayment of
7 principal and interest on the loans.

8 79149.12. All principal and interest payments
9 received pursuant to loan contracts entered into
10 pursuant to this article shall be deposited in the
11 subaccount.

12 79149.14. The board may, by contract or otherwise,
13 undertake plans, surveys, research, development, and
14 studies necessary, convenient, or desirable to carry out
15 the purposes of this article.

16 79149.16. Not more than 3 percent of the total amount
17 deposited in the subaccount may be used to pay for both
18 of the following:

19 (a) To pay the costs incurred in connection with the
20 administration of this article.

21 (b) For the purposes of Section 79149.14.

22
23 CHAPTER 8. WATER CONSERVATION PROGRAM

24
25 Article 1. Findings and Declarations

26
27 79150. The Legislature finds and declares that:

28 (a) Voluntary, cost-effective capital outlay water
29 conservation programs can help meet the growing
30 demand for clean and abundant water supplies
31 throughout the state.

32 (b) The participation of the state in the construction
33 of local water conservation projects is desirable to further
34 the effective management of the water resources of the
35 state.

Article 2. General Provisions

79151. Unless the context otherwise requires, the following definitions govern the construction of this chapter:

(a) “Account” means the Water Conservation Account created by Section 79152.

(b) (1) “Water conservation program or project” means those feasible capital outlay measures undertaken to improve the efficiency of water use through projects, the benefits of which exceed the costs.

(2) The programs include, but are not limited to, all of the following:

(A) The lining or piping of ditches.

(B) Improvements in water distribution system controls such as automated canal control, construction of small reservoirs within distribution systems that conserve water that has already been captured for use, and related physical improvements.

(C) Tailwater pumpback recovery systems.

(D) Major improvements to, or replacement of, deteriorated distribution systems to reduce leakage and maximize conservation.

(E) Capital outlay features of agricultural water conservation programs identified in the “Memorandum of Understanding Regarding Efficient Agricultural Water Management Practices,” dated July 16, 1997, and endorsed by the Agricultural Water Management Council, and any amendments thereto.

(c) “Economically disadvantaged area” means any area of the state for which both of the following statements apply:

(1) A median household income that is less than forty thousand dollars (\$40,000) based on the most recent federal census.

(2) An annual average unemployment rate that is greater than 9 percent based on the most recent federal census.

(d) (1) “Groundwater recharge facilities” means lands and facilities for artificial groundwater recharge

1 through methods that include, but are not limited to,
2 percolation using basins, pits, ditches, and furrows,
3 modified streambeds, flooding, and well injection. For
4 the purposes of this chapter, expenditures for
5 “groundwater recharge facilities” include capital outlay
6 expenditures to expand, renovate, or restructure land
7 and facilities used for the purposes of groundwater
8 recharge and to acquire additional land for recharge
9 basins.

10 (2) Groundwater recharge facilities may include any
11 of the following:

12 (A) Instream facilities for regulation of water levels,
13 but not regulation of streamflow to accomplish diversion
14 from the waterway.

15 (B) Agency-owned facilities for extraction.

16 (C) Conveyance facilities to convey water to the
17 recharge site, including devices for flow regulation and
18 measurement of recharge waters.

19 (3) Any part or all of the project facilities, including
20 the land under the facilities, may consist of separable
21 features, or an appropriate share of multipurpose
22 features, of a larger system, or both.

23 (e) “Infrastructure rehabilitation project” means a
24 project located in an economically disadvantaged area for
25 the repair, replacement, restoration, or rehabilitation of
26 an existing water distribution system that delivers water
27 for domestic, municipal, or industrial uses, including
28 pipelines, pump stations, valves, meters, reservoirs, and
29 all other appurtenant water delivery facilities that result
30 in the reduction or elimination of significant distribution
31 system water losses or replace a failing system component
32 that threatens the health, safety, welfare, and economy of
33 areas relying on the water distribution system.

34 (f) “Local agency” or “agency” means any city,
35 county, city and county, district, joint powers authority,
36 or other political subdivision of the state involved with
37 water management. “Local agency” or “agency” also
38 means a mutual water company. For purposes of this
39 chapter, mutual water company means a nonprofit
40 corporation organized for, or engaged in the business of,

1 *developing, distributing, supplying, or delivering water*
2 *for irrigation or domestic use, or both, to its members or*
3 *shareholders, at actual cost plus necessary expenses.*

4 (g) *“Project” may include any of the following:*

5 (1) *Water conservation project.*

6 (2) *Groundwater recharge facilities.*

7 (3) *Urban water conservation project.*

8 (4) *Infrastructure rehabilitation project.*

9 (h) *“Urban water conservation project” means capital*
10 *outlay features of urban water conservation programs*
11 *identified in the “Memorandum of Understanding*
12 *Regarding Urban Water Conservation in California,” as*
13 *amended on April 8, 1998, by the California Urban Water*
14 *Conservation Council, and any amendments thereto.*

15 79152. *The Water Conservation Account is hereby*
16 *created in the fund.*

17 79153. (a) *The sum of one hundred sixty million*
18 *dollars (\$160,000,000) is hereby transferred from the fund*
19 *to the account for the purposes of this chapter.*

20 (b) *Unallocated funds remaining in the Water*
21 *Conservation and Groundwater Recharge Subaccount in*
22 *the Water Supply Reliability Account in the Safe, Clean,*
23 *Reliable Water Supply Fund on March 8, 2000, shall be*
24 *transferred to, and all money repaid to the state pursuant*
25 *to any loan contract executed under Article 3*
26 *(commencing with Section 78670) of Chapter 6 of*
27 *Division 24 shall be deposited in, the account for the*
28 *purposes of entering into additional loans under Article*
29 *3 (commencing with Section 79157) and Article 4*
30 *(commencing with Section 79161).*

31 79154. (a) *Any loan agreement entered into*
32 *pursuant to this chapter may include provisions*
33 *determined to be necessary by the department.*

34 (b) *Any loan agreement pursuant to this chapter shall*
35 *include all of the following:*

36 (1) *A finding by the department that the agency has*
37 *the ability to repay the loan, that the project is*
38 *cost-effective, and that the project is feasible from an*
39 *engineering or hydrologic standpoint, or both.*

1 (2) An agreement by the agency to proceed
2 expeditiously with, and complete, the project in
3 conformance with approved plans and specifications and
4 to operate and maintain the project properly upon
5 completion throughout the repayment period.

6 (3) A provision that there shall be no moratorium on,
7 or deferment of, payments of principal or interest.

8 (4) (A) A loan period of not more than 20 years with
9 an interest rate set at a rate equal to 50 percent of the
10 interest rate paid by the state on the most recent sale of
11 state general obligation bonds, to be computed according
12 to the true interest cost method.

13 (B) If the interest rate so determined is not a multiple
14 of 1 percent, the interest rate shall be set at the next
15 multiple of one-tenth of 1 percent.

16 (C) The interest rate for each loan agreement shall be
17 applied throughout the repayment period of the
18 contract. There shall be a level annual repayment of
19 principal and interest on the loans.

20 79155. (a) Any grant agreement entered into
21 pursuant to this chapter may include provisions
22 determined to be necessary by the department.

23 (b) Any grant agreement pursuant to this chapter
24 shall include both of the following:

25 (1) A determination by the department that the
26 project is economically justified, and that the project is
27 feasible.

28 (2) An estimate of the reasonable cost and benefit of
29 the project, including a feasibility report that sets forth
30 the engineering and financial feasibility of the project,
31 and shall include a description of the proposed facilities
32 and their relation to other water-related facilities in the
33 system service area.

34 79155.5. Notwithstanding any other provision of law,
35 regulations set forth in Chapter 2.3 (commencing with
36 Section 450.1) of Division 2 of Title 23 of the California
37 Code of Regulations that are in effect on March 8, 2000,
38 may be used to carry out this chapter.

39 79156. Not more than 3 percent of the total amount
40 deposited in the subaccount may be used by the

1 department to pay the costs incurred in connection with
2 the administration of this article.

3

4 Article 3. Agricultural Water Conservation Program

5

6 79157. (a) The sum of forty million dollars
7 (\$40,000,000) in the account, upon appropriation by the
8 Legislature to the department, shall be used by the
9 department for loans to local agencies to aid in the
10 acquisition and construction of agricultural water
11 conservation projects, and for grants in accordance with
12 Section 79158.

13 (b) For the purposes of approving a loan under this
14 section, the department shall determine if there will be
15 a net saving of water as a result of each proposed project
16 and if the project is determined by the department to be
17 cost-effective.

18 (c) A project under this article shall not receive any
19 more than five million dollars (\$5,000,000) in loan
20 proceeds from the department.

21 (d) The department shall give preference to the
22 agencies that propose the most cost-effective projects.

23 79158. (a) The department may make grants to local
24 agencies, under any terms and conditions that may be
25 determined necessary by the department, for the
26 purpose of financing feasibility studies of projects
27 potentially eligible for a loan under Section 79157.

28 (b) No single feasibility study shall be eligible to
29 receive more than one hundred thousand dollars
30 (\$100,000), and not more than 5 percent of the total
31 amount deposited in the account may be expended for
32 the purposes of financing feasibility studies.

33 (c) A grant for a feasibility study shall not affect the
34 maximum amount of any loan that may be made under
35 this article.

36 79160. Notwithstanding any other provision of law,
37 regulations adopted by the department pursuant to
38 Chapter 2.3 (commencing with Section 450.1) of Division
39 2 of Title 23 of the California Code of Regulations that are



1 in effect on March 8, 2000, may be used to carry out
2 Section 79157.

3
4 Article 4. Groundwater Recharge Facilities Program
5

6 79161. (a) The sum of thirty million dollars
7 (\$30,000,000) in the account is hereby appropriated to the
8 department, without regard to fiscal years, for use by the
9 department for loans and grants to local agencies for the
10 acquisition and construction of groundwater recharge
11 facilities.

12 (b) A loan application pursuant to this article shall
13 include the reasonable cost and benefit of the proposed
14 project, including a feasibility report that shall set forth
15 the economic justification for the project, and shall
16 include explanations of the proposed facilities and their
17 relation to other water supply related facilities in the
18 basin or region.

19 (c) A project under this article shall not receive any
20 more than five million dollars (\$5,000,000) in loan
21 proceeds from the department.

22 (d) The department shall give preference under this
23 section to projects that are located in overdrafted
24 groundwater basins, projects of critical need, projects
25 whose feasibility studies demonstrate the greatest
26 engineering and hydrogeologic feasibility as determined
27 by the department, and projects located in areas that
28 have groundwater management plans.

29 79161.5. (a) The department may make grants to
30 local agencies, under any terms and conditions that may
31 be determined necessary by the department, for the
32 purpose of financing feasibility studies of projects
33 potentially eligible for a loan under Section 79161.

34 (b) No single feasibility study shall be eligible to
35 receive more than one hundred thousand dollars
36 (\$100,000), and not more than 5 percent of the total
37 amount deposited in the account may be expended for
38 the purposes of financing feasibility studies.

1 (c) A grant for a feasibility study shall not affect the
2 maximum amount of any loan that may be made under
3 this article.

4
5 Article 5. *Infrastructure Rehabilitation Program*
6

7 79162. (a) The sum of fifty-five million dollars
8 (\$55,000,000) in the account, upon appropriation by the
9 Legislature to the department, shall be used by the
10 department for grants awarded by the department to
11 local agencies for the purposes of funding infrastructure
12 rehabilitation projects.

13 (b) (1) For the purposes of making grants pursuant to
14 subdivision (a), the factors to be considered by the
15 department in determining whether to enter into an
16 agreement shall include, but not be limited to, the need
17 to implement projects that provide measurable
18 conservation through the reduction of system water
19 losses by rehabilitating water delivery systems.

20 (2) Grants awarded pursuant to subdivision (a) shall
21 be available for public water systems owned and operated
22 by local agencies in economically disadvantaged areas
23 with service connections that exceed 200 but are not
24 greater than 16,000 in number. The department shall give
25 highest priority in awarding grants to those agencies with
26 the highest retail water rates and service charges as of
27 January 1, 1999.

28 (c) No single construction grant under this article shall
29 exceed five million dollars (\$5,000,000).

30 79162.2. (a) The department may make grants to
31 local agencies, under any terms and conditions as may be
32 determined necessary by the department, for the
33 purpose of financing feasibility studies of projects
34 potentially eligible for a grant under Section 79162.

35 (b) No single feasibility study shall be eligible to
36 receive more than one hundred thousand dollars
37 (\$100,000), and not more than 5 percent of the total
38 amount deposited in the account may be expended for
39 the purposes of financing feasibility studies.

1 (c) A grant for a feasibility study shall not affect the
2 maximum of any construction grant that may be made
3 under this article.

4 79162.4. The department may adopt regulations to
5 carry out this article.

6
7 Article 6. Urban Water Conservation Program
8

9 79163. (a) The sum of thirty-five million dollars
10 (\$35,000,000) in the account, upon appropriation by the
11 Legislature to the department, shall be used by the
12 department for grants and loans awarded by the
13 department to local agencies for the purposes of funding
14 urban water conservation projects.

15 (b) A project under this article shall not receive more
16 than five million dollars (\$5,000,000) in loan proceeds
17 from the department.

18 79164. (a) The department may make grants to local
19 agencies, under any terms and conditions that may be
20 determined necessary by the department, for the
21 purpose of financing feasibility studies of projects
22 potentially eligible for a loan under Section 79163.

23 (b) No single feasibility study shall be eligible to
24 receive more than one hundred thousand dollars
25 (\$100,000), and not more than 5 percent of the total
26 amount deposited in the account may be expended for
27 the purposes of financing feasibility studies.

28 (c) A grant for a feasibility study shall not affect the
29 maximum amount of any loan that may be made under
30 this article.

31
32 CHAPTER 9. WATER SUPPLY, RELIABILITY, AND
33 INFRASTRUCTURE PROGRAM
34

35 Article 1. Water Supply, Reliability, and Infrastructure
36 Account
37

38 79165. For the purposes of this chapter, “account”
39 means the Water Supply, Reliability, and Infrastructure
40 Account created by Section 79166.

1 79166. *The Water Supply, Reliability, and*
2 *Infrastructure Account is hereby created in the fund. The*
3 *sum of six hundred five million dollars (\$605,000,000) is*
4 *hereby transferred from the fund to the account.*

5
6 Article 2. *Conjunctive Use Program*
7

8 79170. *The Legislature finds and declares that the*
9 *conjunctive management of surface water and*
10 *groundwater is an effective way to improve the reliability*
11 *of water supply for all sectors in California.*

12 79171. *Unless the context otherwise requires, the*
13 *following definitions govern the construction of this*
14 *article:*

15 (a) *“Conjunctive use” means the temporary storage of*
16 *water in a groundwater aquifer through intentional*
17 *recharge and subsequent extraction for later use. Storage*
18 *is accomplished by either of the following methods:*

19 (1) *“Direct recharge” of an aquifer by conducting*
20 *surface water into the ground by various means,*
21 *including, without limitation, spreading ponds and*
22 *injection wells for the purpose of making the water stored*
23 *in the aquifer available for extraction and later use in*
24 *drier years.*

25 (2) *“In-lieu recharge” means increasing the amount of*
26 *groundwater available in an aquifer by substituting*
27 *surface water supplies to a user who would otherwise*
28 *pump groundwater.*

29 (b) *“Conjunctive use facilities” include land and*
30 *appurtenant facilities for any phase of a conjunctive use*
31 *operation. Appurtenant facilities may include subsurface*
32 *storage, treatment, conveyance, recharge ponds,*
33 *injection wells, spreading grounds, monitoring,*
34 *measurements, subsidence detection, flow regulation,*
35 *detention basins to facilitate recharge, diversion facilities,*
36 *and extraction facilities.*

37 (c) *“Conjunctive use project” means a project that is*
38 *intended to produce water supply benefits for the local*
39 *agency or a project that is intended to produce water*

1 supply benefits for water users, including the
2 environment, in addition to the local agency.

3 (d) "Local agency" means any city, county, city and
4 county, district, joint powers authority, mutual water
5 company, or other political subdivision of the state.

6 (e) "Project participants" means any public agency
7 participating in, and benefiting from, a conjunction use
8 project under this article.

9 (f) "Subaccount" means the Conjunctive Use
10 Subaccount created by Section 79172.

11 79172. There is hereby created in the account the
12 Conjunctive Use Subaccount.

13 79173. The sum of two hundred million dollars
14 (\$200,000,000) is hereby transferred from the account to
15 the subaccount for the purposes of implementing this
16 article.

17 79174. The money in the subaccount, upon
18 appropriation by the Legislature to the department, may
19 be used by the department for grants for feasibility
20 studies, project design, or the construction of conjunctive
21 use projects on a pilot or operational scale.

22 79175. Not more than 5 percent of the total amount
23 deposited in the subaccount may be expended for
24 purposes of financing feasibility studies.

25 79176. For the purpose of approving projects
26 pursuant to this article, the department shall take into
27 consideration all of the following with regard to each
28 proposed project:

29 (a) The magnitude of the actual increase in water
30 supply yield and reliability compared to preexisting
31 conditions.

32 (b) The consistency with the plans or
33 recommendations proposed by the CALFED.

34 (c) The distribution of the benefits to water supply
35 and to the environment.

36 (d) The availability of the storage for conserved water.

37 (e) The technical and environmental suitability of the
38 groundwater basin for conjunctive use.

39 (f) The potential to reduce critically overdrafted
40 conditions in a groundwater basin.

1 (g) *The need for the project.*

2 (h) *The potential to alleviate salt water intrusion into*
3 *groundwater basins or other groundwater quality*
4 *degradation.*

5 (i) *The economic, engineering, and hydrogeologic*
6 *justification for the project.*

7 (j) *The availability of third party or local matching*
8 *funds from any source other than the Restoration Fund*
9 *authorized by the Central Valley Project Improvement*
10 *Act.*

11 (k) *The involvement of one or more local agencies*
12 *whose jurisdiction or water service area overlies or is*
13 *adjacent to the aquifer utilized to store water.*

14 (l) *The potential to reduce dry year demand for*
15 *surface water under existing contracts.*

16 (m) *The existence of a system for the recovery of the*
17 *stored water or an agreement with the department or a*
18 *local agency for the installation of that system.*

19 (n) *Whether the project is located in an area that is*
20 *subject to a groundwater management program.*

21 79177. *To be eligible for funding for the construction*
22 *of a conjunctive use project under this article, an*
23 *applicant that is other than a local agency shall be*
24 *required to carry out that project with the participation*
25 *of a local agency. The department or a local agency may*
26 *provide technical assistance, coordination, or any other*
27 *assistance in implementing a project or study if requested*
28 *by the participating local agency.*

29 79178. *No construction project may receive more*
30 *than twenty-five million dollars (\$25,000,000) from the*
31 *subaccount.*

32 79179. *Not more than 3 percent of the total amount*
33 *deposited in the subaccount may be used to pay the costs*
34 *incurred in connection with the administration of this*
35 *article.*

36 79180. *Not less than 33¹/₃ percent of the total amount*
37 *deposited in the subaccount shall be expended for studies,*
38 *projects, and facilities within watersheds that flow*
39 *perennially into the delta.*

1 79181. (a) A project undertaken pursuant to this
2 article shall fully protect and preserve the groundwater
3 rights of the overlying landowners and shall fully protect
4 and preserve the water rights of the project participants.
5 The department shall not provide funding for a project
6 unless it determines that the project will be designed and
7 operated in a manner that ensures that other users of the
8 same or a hydrologically related aquifer will not suffer
9 any unreasonable diminution of the quantity or quality of
10 their groundwater supplies or incur additional
11 uncompensated expense as a result of the
12 implementation of the project.

13 (b) For the purposes of receiving funding for a
14 conjunctive use project pursuant to this article, the
15 applicant shall be required to do both of the following:

16 (1) Provide for a continuing groundwater monitoring
17 and mitigation program.

18 (2) Limit the extraction of the groundwater to not
19 more than the amount of water that is stored or recharged
20 by the project participants.

21 (c) Persons and agencies participating in the project
22 may not assert a claim or file a cause of action against an
23 overlying landowner who is not exceeding either of the
24 following:

25 (1) The overlying landowner's historic rate of
26 groundwater pumping.

27 (2) The full amount of groundwater to which the
28 overlying landowner would be entitled to under state law
29 regarding rights to groundwater and reasonable
30 beneficial use on the landowner's land that overlies the
31 groundwater.

32 (d) The overlying landowners may not assert a claim
33 or file a cause of action against the persons or agencies
34 participating in the project if the project is implemented
35 in compliance with this section, except as provided by
36 contract between the project participants.

37 (e) Nothing in this article modifies state law with
38 regard to groundwater rights, regulation, or
39 management.

1 79182. In carrying out this article and awarding
2 grants, the department shall convene and consult with an
3 advisory committee comprised of technically qualified
4 representatives of local water agencies, project
5 participants, environmental interests, an agricultural
6 laborer, and farmers who use groundwater. The advisory
7 committee shall be geographically balanced to reflect the
8 communities that use water in the Central Valley. If a
9 member of the advisory committee, or a member of his
10 or her immediate family, is employed by a grant applicant
11 or the employer of a grant applicant, the committee
12 members shall make that disclosure to the other members
13 of the committee and shall not participate in the review
14 of the grant application of that applicant.

15 79183. The department may adopt regulations to
16 carry out this article.

17
18 Article 3. Bay-Delta Multipurpose Water
19 Management Program
20

21 79190. Unless the context otherwise requires, the
22 following definitions govern the construction of this
23 article:

24 (a) "CALFED Bay-Delta Program" or "program"
25 means the undertaking by CALFED pursuant to the
26 Framework Agreement dated June 20, 1994, to develop
27 a long-term solution to water management,
28 environmental, and other problems in the bay-delta
29 watershed by means of a programmatic environmental
30 impact statement/environmental impact report.

31 (b) "CALFED EIS/EIR" means the final
32 programmatic environmental impact
33 statement/environmental impact report prepared by
34 CALFED.

35 (c) "CALFED stage 1 action" means an action
36 identified in the preferred alternative of the CALFED
37 EIS/EIR as an action intended for implementation
38 during stage 1 of Phase III of the CALFED Bay-Delta
39 Program.

1 (d) (1) “Eligible project” means a demonstration
2 project, subject to the CALFED adaptive management
3 principle that requires an assessment of the performance
4 of the demonstration projects in order to determine
5 which projects are successful in achieving the goals of the
6 program.

7 (2) “Eligible project” means a project that meets both
8 of the following requirements.

9 (A) The project is identified in the CALFED EIS/EIR
10 as a CALFED stage 1 action.

11 (B) The project does one or more of the following:

12 (i) Constructs treatment facilities or relocates
13 discharge facilities for agricultural drainage generated
14 within the delta to improve water quality in the delta or
15 the quality of water that is transported from the delta.

16 (ii) Constructs facilities to control waste discharges
17 that contribute to low dissolved oxygen and other water
18 quality problems in the lower San Joaquin River and the
19 south delta.

20 (iii) Constructs fish facilities for the State Water
21 Project or the Central Valley Project intakes in the south
22 delta, such as facilities for fish screens, fish handling, and
23 fish passage, or modifications to intake structures or other
24 facilities, to reduce losses of any life stages of fish to water
25 diversions in the San Joaquin River and the delta in
26 accordance with paragraph (1) of Section (C) of Chapter
27 IV of the board’s 1995 water quality control plan.

28 (iv) Constructs a permanent barrier at the head of Old
29 River to improve fish migration and other permanent
30 barriers in the south delta channels to improve water
31 quality and water level for local diversions.

32 (v) Constructs facilities to control drainage from
33 abandoned mines that adversely affect water quality in
34 the bay-delta.

35 (vi) Constructs a permanent barrier at Grantline
36 Canal to improve water quality and water levels for local
37 diversion.

38 (e) “Subaccount” means the Bay-Delta Multipurpose
39 Water Management Subaccount created by Section
40 79194.

1 79191. *This article does not affect the authority of any*
2 *agency pursuant to any other provision of law to expend*
3 *funds for the purposes described in this article.*

4 79192. *The Legislature hereby finds and declares all*
5 *of the following:*

6 (a) *CALFED is in the process of preparing a*
7 *programmatic EIS/EIR for a long-term comprehensive*
8 *plan that will resolve problems related to ecosystem*
9 *restoration, including the recovery of endangered species*
10 *such as chinook salmon, water quality, water supply,*
11 *water management, and system integrity for the*
12 *protection of beneficial uses of the bay-delta ecosystem.*

13 (b) *The CALFED Bay-Delta Program is of statewide*
14 *and national importance. The state should participate in*
15 *the funding of eligible projects as a part of its ongoing*
16 *program to improve conditions in the bay-delta*
17 *ecosystem.*

18 (c) *The programmatic EIS/EIR will include a*
19 *schedule for funding and implementing all elements of*
20 *the long-term comprehensive plan.*

21 (d) *The elements of the CALFED Bay-Delta Program*
22 *will achieve balanced solutions in all identified problem*
23 *areas, including the ecosystem, water quality, water*
24 *supply, and system integrity.*

25 79193. (a) *This article does not authorize the*
26 *implementation of the CALFED Bay-Delta Program or*
27 *any element of that program. The implementation of the*
28 *CALFED Bay-Delta Program, or any element of that*
29 *program, shall only be undertaken pursuant to authority*
30 *provided by law other than this division.*

31 (b) *Nothing in this article affects the obligation to*
32 *comply with provisions of existing law in connection with*
33 *the implementation of this article.*

34 79194. *There is hereby created in the account the*
35 *Bay-Delta Multipurpose Water Management*
36 *Subaccount.*

37 79195. *The sum of two hundred fifty million dollars*
38 *(\$250,000,000) is hereby transferred from the account to*
39 *the subaccount.*

1 79196. (a) *The money in the subaccount, upon*
2 *appropriation by the Legislature to the department, may*
3 *be used by the department to carry out eligible projects*
4 *and for the purposes of Section 79202.*

5 (b) *No funds in the subaccount shall be used by the*
6 *department unless and until the department has*
7 *consulted, on an annual basis, with the state and federal*
8 *agencies that participate in CALFED, as well as*
9 *representatives of the public convened as a duly*
10 *authorized advisory committee, with regard to the*
11 *specific projects proposed for funding under this article.*
12 *Decisions regarding specific expenditures of funds*
13 *provided under this article shall be jointly determined, to*
14 *the maximum extent possible, by the recommendations*
15 *of the state and federal CALFED agencies with the*
16 *advice of the advisory committee.*

17 79196.5. *Of the funds appropriated pursuant to*
18 *Section 79196, sixteen million dollars (\$16,000,000) shall*
19 *be used for the purposes of the project described in clause*
20 *(vi) of subparagraph (B) of paragraph (2) of subdivision*
21 *(d) of Section 79190.*

22 79197. *No funds in the subaccount may be expended*
23 *until all of the following conditions have been met:*

24 (a) *The CALFED EIS/EIR has been certified by the*
25 *state lead agency and a notice of determination has been*
26 *issued as required by Division 13 (commencing with*
27 *Section 21000) of the Public Resources Code.*

28 (b) *The CALFED EIS/EIR has been filed by the*
29 *federal lead agencies with the United States*
30 *Environmental Protection Agency, the required notice*
31 *has been published in the Federal Register, and there has*
32 *been federal approval of a program identical to the*
33 *program approved by the state.*

34 79198. *The state, to the greatest extent possible, shall*
35 *secure federal and nonfederal funds to implement this*
36 *article.*

37 79199. *Due to the importance of issuing permits and*
38 *otherwise expediting all elements of the CALFED*
39 *Bay-Delta Program in a timely and balanced manner, the*

1 following procedures shall apply to the use of funds
2 authorized by this article:

3 (a) After the requirements set forth in Section 79197
4 are met, funds in the subaccount shall become available
5 for use in accordance with the schedule for eligible
6 projects set forth in the final programmatic EIS/EIR,
7 unless the Secretary of the Resources Agency determines
8 that the schedule established in the final programmatic
9 EIS/EIR has not been substantially adhered to.

10 (b) On or before November 15 of each year, the
11 Secretary of the Resources Agency, in consultation with
12 state and federal CALFED representatives and other
13 interested persons and agencies, shall review adherence
14 to the schedule.

15 (c) The absence of funding from nonfederal or
16 nonstate sources shall not be a basis for a determination
17 that the schedule has not been adhered to.

18 (d) If, at the conclusion of each annual review, the
19 Secretary of the Resources Agency determines that the
20 schedule established in the final programmatic EIS/EIR,
21 or a revised schedule prepared pursuant to this
22 subdivision, has not been substantially adhered to, the
23 secretary, after notice to, and consultation with, state and
24 federal CALFED representatives and other interested
25 persons and agencies, shall prepare a revised schedule
26 that ensures that balanced solutions in all identified
27 problem areas, including ecosystem restoration, water
28 supply, water quality, and system integrity are achieved,
29 consistent with the intent of the final programmatic
30 EIS/EIR. Funds shall be available for expenditure unless
31 a revised schedule has not been developed within six
32 months from the date on which the secretary determines
33 that the prior schedule has not been substantially adhered
34 to. Upon the preparation of any revised schedule under
35 this subdivision, funds shall be expended in accordance
36 with that revised schedule.

37 (e) Funds in the subaccount shall become available in
38 accordance with the cost-share agreement developed by
39 the CALFED Bay-Delta Program, which shall describe

1 *the federal, state, and local share of funding for the*
2 *programs, projects, and other CALFED stage 1 actions.*

3 *79200. On or before December 15 of each year, the*
4 *Secretary of the Resources Agency shall submit an annual*
5 *report to the Legislature that describes the status of the*
6 *implementation of all elements of the CALFED*
7 *Bay-Delta Program, any determinations made by the*
8 *secretary pursuant to subdivisions (b) and (d) of Section*
9 *79199 and other significant scheduling issues. The report*
10 *also shall include a detailed accounting of expenditures,*
11 *descriptions of programs for which expenditures have*
12 *been made, and a schedule of anticipated expenditures*
13 *for the next year.*

14 *79201. The report prepared pursuant to Section 79200*
15 *shall include both of the following:*

16 *(a) A summary of the results achieved by the projects*
17 *funded under this article.*

18 *(b) An identification of any necessary modifications*
19 *that should be made to eligible projects or other*
20 *CALFED bay-delta projects, to ensure that the goals and*
21 *objectives of CALFED are met.*

22 *79202. Not more than 3 percent of the total amount*
23 *deposited in the subaccount may be used to pay the costs*
24 *incurred in connection with the administration of this*
25 *article.*

26 *79203. The department may adopt regulations to*
27 *carry out this article.*

28
29 *Article 4. Interim Water Supply and Water Quality*
30 *Infrastructure and Management Program*
31

32 *79205. The Legislature hereby finds and declares all*
33 *of the following:*

34 *(a) CALFED is currently developing a long-term*
35 *comprehensive plan for improving all beneficial uses of*
36 *bay-delta water. However, due to the comprehensive*
37 *nature of the CALFED program, significant delta water*
38 *supply or water quality improvements for areas that rely*
39 *on exports from the delta may not be available for up to*
40 *10 years and during that period there will be urgent water*

1 supply and water quality needs arising from conflicts
2 between environmental and economic uses of water.

3 (b) To avoid urgent problems related to water supply
4 and water quality while the CALFED program is being
5 finalized and implemented, the Governor should
6 immediately develop a program that is consistent with
7 CALFED objectives and which provides for significant
8 investments in water supply and quality infrastructure
9 programs in the export areas served by the delta that can
10 be implemented in the immediate future.

11 79205.2. (a) “Delta export service area,” as used in
12 this article, means both of the following:

13 (1) The counties included within the Association of
14 Bay Area Governments.

15 (2) Those areas of the state outside the delta that
16 receive water from the State Water Project or the Central
17 Valley Project, either directly or by exchange, by means
18 of diversions from the delta.

19 (b) “Local agency,” as used in this article, means any
20 city, county, city and county, district, or other political
21 subdivision of the state.

22 79205.4. (a) There is hereby created the Interim
23 Water Supply and Water Quality Infrastructure and
24 Management Subaccount.

25 (b) For the purposes of this article, “subaccount”
26 means the Interim Water Supply and Water Quality
27 Infrastructure and Management Subaccount.

28 79205.6. The sum of one hundred fifty-five million
29 dollars (\$155,000,000) is hereby transferred from the
30 account to the subaccount for the purposes of this article.

31 79205.8. (a) The money in the subaccount, upon
32 appropriation by the Legislature to the department, may
33 be used by the department to provide grants, which are
34 approved by the Governor, to local agencies located in
35 the delta export service areas for programs or projects
36 that can be completed and provide the intended benefits
37 not later than March 8, 2009, and are designed to increase
38 water supplies, enhance water supply reliability, or
39 improve water quality.

1 ***(b) The department shall provide grants for programs***
2 ***or projects located outside the delta and which meet one***
3 ***of the following requirements:***

4 ***(1) The project or program constructs new or expands***
5 ***existing groundwater storage and recovery projects or***
6 ***acquires rights to use storage in existing reservoirs.***

7 ***(2) The project or program implements measures that***
8 ***facilitate improved treatment, flexible management, and***
9 ***exchanges for water supply and water quality***
10 ***improvements, including, but not limited to, a project***
11 ***that improves water quality by shifting reliance from***
12 ***lower quality to higher quality water supplies.***

13 ***(3) The project or program accelerates the***
14 ***implementation of water management programs,***
15 ***including, but not limited to, state of the art agricultural***
16 ***water conservation programs, and programs that treat or***
17 ***manage agricultural drainage water for reuse or instream***
18 ***water quality benefits.***

19 ***79205.10. For purposes of prioritizing eligible***
20 ***programs or projects for funding under this article, the***
21 ***department shall give priority to programs or projects***
22 ***that meet one or more of the following requirements:***

23 ***(a) Can be completed expeditiously and thereby***
24 ***provide near term benefits and more immediate***
25 ***mitigation of urgent problems related to water supply***
26 ***and water quality.***

27 ***(b) Implements actions to improve water quality and***
28 ***protect water level conditions in San Luis Reservoir.***

29 ***(c) Includes public-private partnerships or cost***
30 ***sharing arrangements that maximize public benefits.***

31 ***(d) Sponsored by public agency with water supplies***
32 ***that are being or would be impacted to a greater degree***
33 ***by delta-related water supply shortages and water quality***
34 ***degradation.***

35 ***79205.12. The state, to the greatest extent possible,***
36 ***shall seek matching federal funds to implement this***
37 ***article.***

38 ***79205.14. Funds available from the subaccount shall***
39 ***be available for all phases of project development***
40 ***including, but not limited to, project administration,***

1 *permitting and environmental compliance, feasibility*
2 *studies, and construction.*

3 *79205.16. Not more than 3 percent of the total amount*
4 *deposited in the subaccount may be used to pay costs*
5 *incurred in connection with the administration of this*
6 *article.*

7

8 *CHAPTER 10. FISCAL PROVISIONS*

9

10 *79210. Bonds in the total amount of one billion seven*
11 *hundred sixty-five million dollars (\$1,765,000,000), not*
12 *including the amount of any refunding bonds issued in*
13 *accordance with Section 79219, or so much thereof as is*
14 *necessary, may be issued and sold to provide a fund to be*
15 *used for carrying out the purposes expressed in this*
16 *division and to be used to reimburse the General*
17 *Obligation Bond Expense Revolving Fund pursuant to*
18 *Section 16724.5 of the Government Code. The bonds,*
19 *when sold, shall be and constitute a valid and binding*
20 *obligation of the State of California, and the full faith and*
21 *credit of the State of California is hereby pledged for the*
22 *punctual payment of the principal of, and interest on, the*
23 *bonds as the principal and interest become due and*
24 *payable.*

25 *79211. (a) The bonds authorized by this division shall*
26 *be prepared, executed, issued, sold, paid, and redeemed*
27 *as provided in the State General Obligation Bond Law*
28 *(Chapter 4 (commencing with Section 16720) of Part 3 of*
29 *Division 4 of Title 2 of the Government Code), except*
30 *Section 16727, and all of the provisions of that law apply*
31 *to the bonds and to this division and are hereby*
32 *incorporated in this division as though set forth in full in*
33 *this division.*

34 *(b) For purposes of the State General Obligation Bond*
35 *Law, each state agency that administers an appropriation*
36 *of the Safe Drinking Water, Clean Water, Watershed*
37 *Protection, and Flood Protection Bond Fund is*
38 *designated the “board.”*

39 *79212. Solely for the purpose of authorizing the*
40 *issuance and sale, pursuant to the State General*



1 *Obligation Bond Law, of the bonds authorized by this*
2 *division, the Safe Drinking Water, Clean Water,*
3 *Watershed Protection, and Flood Protection Finance*
4 *Committee is hereby created. For purposes of this*
5 *division, the Safe Drinking Water, Clean Water,*
6 *Watershed Protection, and Flood Protection Finance*
7 *Committee is the “committee” as that term is used in the*
8 *State General Obligation Bond Law. The committee*
9 *consists of the Treasurer, the Controller, and the Director*
10 *of Finance, or their designated representatives. A*
11 *majority of the committee may act for the committee.*

12 79213. *The committee shall determine whether or*
13 *not it is necessary or desirable to issue bonds authorized*
14 *pursuant to this division in order to carry out the actions*
15 *specified in this division and, if so, the amount of bonds*
16 *to be issued and sold. Successive issues of bonds may be*
17 *authorized and sold to carry out those actions*
18 *progressively, and it is not necessary that all of the bonds*
19 *authorized to be issued be sold at any one time.*

20 79214. *There shall be collected each year and in the*
21 *same manner and at the same time as other state revenue*
22 *is collected, in addition to the ordinary revenues of the*
23 *state, a sum in an amount required to pay the principal*
24 *of, and interest on, the bonds each year. It is the duty of*
25 *all officers charged by law with any duty in regard to the*
26 *collection of the revenue to do and perform each and*
27 *every act that is necessary to collect that additional sum.*

28 79215. *Notwithstanding Section 13340 of the*
29 *Government Code, there is hereby appropriated from*
30 *the General Fund in the State Treasury, for the purposes*
31 *of this division, an amount that will equal the total of the*
32 *following:*

33 (a) *The sum annually necessary to pay the principal of,*
34 *and interest on, bonds issued and sold pursuant to this*
35 *division, as the principal and interest become due and*
36 *payable.*

37 (b) *The sum necessary to carry out Section 79216,*
38 *appropriated without regard to fiscal years.*

39 79216. *For the purposes of carrying out this division,*
40 *the Director of Finance may authorize the withdrawal*

1 from the General Fund of an amount not to exceed the
2 amount of the unsold bonds that have been authorized by
3 the committee to be sold for the purpose of carrying out
4 this division. Any amount withdrawn shall be deposited
5 in the fund. Any money made available under this section
6 shall be returned to the General Fund, plus an amount
7 equal to the interest that the money would have earned
8 in the Pooled Money Investment Account, from proceeds
9 received from the sale of bonds for the purpose of
10 carrying out this division.

11 79217. All money deposited in the fund that is derived
12 from premium and accrued interest on bonds sold shall
13 be reserved in the fund and shall be available for transfer
14 to the General Fund as a credit to expenditures for bond
15 interest.

16 79218. The agency that administers an appropriation
17 of the Safe Drinking Water, Clean Water, Watershed
18 Protection, and Flood Protection Bond Fund may request
19 the Pooled Money Investment Board to make a loan from
20 the Pooled Money Investment Account, in accordance
21 with Section 16312 of the Government Code, for the
22 purpose of carrying out this division. The amount of the
23 request shall not exceed the amount of the unsold bonds
24 that the committee, by resolution, has authorized to be
25 sold for the purpose of carrying out this division. The
26 requesting agency shall execute any documents required
27 by the Pooled Money Investment Board to obtain and
28 repay the loan. Any amounts loaned shall be deposited in
29 the fund to be allocated by the requesting agency in
30 accordance with this division.

31 79219. The bonds may be refunded in accordance
32 with Article 6 (commencing with Section 16780) of
33 Chapter 4 of Part 3 of Division 4 of Title 2 of the
34 Government Code, which is a part of the State General
35 Obligation Bond Law. Approval by the voters of the state
36 for the issuance of the bonds described in this division
37 includes the approval of the issuance of any other bonds
38 issued to refund any bonds originally issued under this
39 division or any previously issued refunding bonds.

1 79220. Notwithstanding any provision of this division
2 or the State General Obligation Bond Law, if the
3 Treasurer sells bonds pursuant to this division that
4 include a bond counsel opinion to the effect that the
5 interest on the bonds is excluded from gross income for
6 federal tax purposes, subject to designated conditions, the
7 Treasurer may maintain separate accounts for the
8 investment of bond proceeds and for the investment
9 earnings on those proceeds. The Treasurer may use or
10 direct the use of those proceeds or earnings to pay any
11 rebate, penalty, or other payment required under federal
12 law or to take any other action with respect to the
13 investment and use of those bond proceeds required or
14 desirable under federal law to maintain the tax-exempt
15 status of those bonds and to obtain any other advantage
16 under federal law on behalf of the funds of that state.

17 79221. The Legislature hereby finds and declares that,
18 inasmuch as the proceeds from the sale of bonds
19 authorized by this division are not “proceeds of taxes” as
20 that term is used in Article XIII B of the California
21 Constitution, the disbursement of these proceeds is not
22 subject to the limitations imposed by that article.

23 SEC. 2. Section 13480 of the Water Code is amended
24 to read:

25 13480. (a) Moneys in the fund shall be used only for
26 the permissible purposes allowed by the federal act,
27 including providing financial assistance for the following
28 purposes:

29 (1) The construction of publicly owned treatment
30 works, as defined by Section 212 of the federal act (33
31 U.S.C.A. Sec. 1292), by any municipality.

32 (2) Implementation of a management program
33 pursuant to Section 319 of the federal act (33 U.S.C.A. Sec.
34 1329).

35 (3) Development and implementation of a
36 conservation and management plan under Section 320 of
37 the federal act (33 U.S.C.A. Sec. 1330).

38 (4) Financial assistance, other than a loan, toward the
39 nonfederal share of costs of any grant-funded treatment

1 works project, but only if that assistance is necessary to
2 permit the project to proceed.

3 (b) Consistent with expenditure for authorized
4 purposes, moneys in the fund may be used for the
5 following purposes:

6 (1) Loans that meet all of the following requirements:

7 (A) Are made at or below market interest rates.

8 (B) Require annual payments of principal and any
9 interest, with repayment commencing not later than one
10 year after completion of the project for which the loan is
11 made and full amortization not later than 20 years after
12 project completion.

13 (C) Require the loan recipient to establish an
14 acceptable dedicated source of revenue for repayment of
15 any loan.

16 (D) (i) Contain other terms and conditions required
17 by the board or the federal act or applicable rules,
18 regulations, guidelines, and policies. To the extent
19 permitted by federal law, the interest rate shall be set at
20 a rate equal to 50 percent of the interest rate paid by the
21 state on the most recent sale of state general obligation
22 bonds and the interest rate shall be computed according
23 to the true interest cost method. If the interest rate so
24 determined is not a multiple of one-tenth of 1 percent, the
25 interest rate shall be set at the multiple of one-tenth of 1
26 percent next above the interest rate so determined. Any
27 loan from the fund used to finance costs of facilities
28 planning, or the preparation of plans, specifications, or
29 estimates for construction of publicly owned treatment
30 works shall comply with Section 603(e) of the federal act
31 (33 U.S.C.A. Sec. 1383(e)).

32 (ii) Notwithstanding clause (i), if the loan applicant is
33 a municipality—~~that~~, *an applicant for a loan for the*
34 *implementation of a management program pursuant to*
35 *Section 319 of the Clean Water Act (33 U.S.C. Sec. 1329),*
36 *or an applicant for a loan for nonpoint source or estuary*
37 *enhancement pursuant to Section 320 of the Clean Water*
38 *Act (33 U.S.C. Sec. 1330), and the applicant provides*
39 *matching funds, the interest rate on the loan shall be 0*
40 *percent. A loan recipient that returns to the fund an*

1 amount of money equal to 20 percent of the remaining
2 unpaid federal balance of an existing loan shall have the
3 remaining unpaid loan balance refinanced at a rate of 0
4 percent over the time remaining in the original loan
5 contract.

6 (2) To buy or refinance the debt obligations of
7 municipalities within the state at or below market rates
8 if those debt obligations were incurred after March 7,
9 1985.

10 (3) To guarantee, or purchase insurance for, local
11 obligations where that action would improve credit
12 market access or reduce interest rates.

13 (4) As a source of revenue or security for the payment
14 of principal and interest on revenue or general obligation
15 bonds issued by the state, if the proceeds of the sale of
16 those bonds will be deposited in the fund.

17 (5) To establish loan guarantees for similar revolving
18 funds established by municipalities.

19 (6) To earn interest.

20 (7) For payment of the reasonable costs of
21 administering the fund and conducting activities under
22 Subchapter VI (commencing with Section 601) of the
23 federal act (33 U.S.C.A. Sec. 1381 et seq.). Those costs shall
24 not exceed 4 percent of all federal contributions to the
25 fund, except that if permitted by federal and state law,
26 interest repayments into the fund and other moneys in
27 the fund may be used to defray additional administrative
28 and activity costs to the extent permitted by the federal
29 government and approved by the Legislature in the
30 Budget Act.

31 (8) For financial assistance toward the nonfederal
32 share of the costs of grant-funded treatment works
33 projects to the extent permitted by the federal act.

34 *SEC. 3. Section 14058 of the Water Code is amended*
35 *to read:*

36 14058. (a) The sum of thirty million dollars
37 (\$30,000,000) of the money in the fund shall be deposited
38 in the Water Reclamation Account and, notwithstanding
39 Section 13340 of the Government Code, is hereby

1 continuously appropriated to the board for the purposes
2 of this section.

3 (b) The board may enter into contracts with local
4 public agencies having authority to construct, operate,
5 and maintain water reclamation projects, for loans to aid
6 in the design and construction of eligible water
7 reclamation projects. The board may loan up to 100
8 percent of the total eligible cost of design and
9 construction of an eligible reclamation project.

10 (c) Any contract for an eligible water reclamation
11 project entered into pursuant to this section may include
12 such provisions as determined by the board and shall
13 include both of the following provisions:

14 (1) An estimate of the reasonable cost of the eligible
15 water reclamation project.

16 (2) An agreement by the local public agency to
17 proceed expeditiously with, and complete, the eligible
18 water reclamation project; commence operation of the
19 project in accordance with applicable provisions of law,
20 and provide for the payment of the local public agency's
21 share of the cost of the project, including principal and
22 interest on any state loan made pursuant to this section.

23 (d) Loan contracts may not provide for a moratorium
24 on payments of principal or interest.

25 (e) Any loans made from the fund may be for a period
26 of up to 20 years. The interest rate for the loans shall be
27 set at a rate equal to 50 percent of the interest rate paid
28 by the state on the most recent sale of state general
29 obligation bonds, with that rate to be computed
30 according to the true interest cost method. When the
31 interest rate so determined, is not a multiple of one-tenth
32 of 1 percent, the interest rate shall be set at the next
33 higher multiple of one-tenth of 1 percent.

34 (f) All money repaid to the state pursuant to any
35 contract executed under this chapter shall be deposited
36 in the Water Recycling Subaccount, ~~created by Section~~
37 ~~78621, of the Clean Water and Water Recycling Account~~
38 ~~in the Safe, Clean, Reliable Water Supply Fund, for the~~
39 ~~purposes set forth in subdivision (b) of Section 78621 in~~
40 *the Clean Water and Water Recycling Account in the*

1 *Safe Drinking Water, Clean Water, Watershed*
2 *Protection, and Flood Protection Bond Fund created by*
3 *for the purposes set forth in Article 4 (commencing with*
4 *Section 79135) of Chapter 7 of Division 26.*

5 *SEC. 4. Section 78621 of the Water Code is amended*
6 *to read:*

7 78621. (a) (1) There is hereby created in the
8 account the Water Recycling Subaccount. The sum of
9 sixty million dollars (\$60,000,000) is hereby transferred
10 from the account to the subaccount for the purpose of
11 implementing this article.

12 (2) All money repaid to the state pursuant to any
13 contract executed under the Clean Water and Water
14 Reclamation Bond Law of 1988 (Chapter 17
15 (commencing with Section 14050) of Division 7) shall be
16 deposited in the ~~subaccount for the purposes of~~
17 ~~subdivision (b)~~ *Water Recycling Subaccount in the*
18 *Clean Water and Water Recycling Account in the Safe*
19 *Drinking Water, Clean Water, Watershed Protection,*
20 *and Flood Protection Bond Fund created by Section*
21 *79136, for the purposes set forth in Article 4 (commencing*
22 *with Section 79135) of Chapter 7 of Division 26.*

23 (b) Notwithstanding Section 13340 of the
24 Government Code, the money in the subaccount is
25 hereby continuously appropriated, without regard to
26 fiscal years, to the board for loans to public agencies to
27 construct, operate, and maintain eligible recycling
28 projects, for loans to aid in the design and construction of
29 eligible recycling projects, for grants in accordance with
30 Section 78628, and for the purposes described in Section
31 78629 and subdivision (a) of Section 78630.

32 *SEC. 5. Section 78626 of the Water Code is repealed.*

33 ~~78626. (a) All principal and interest payments~~
34 ~~received pursuant to loan contracts entered into~~
35 ~~pursuant to this article shall be deposited in the~~
36 ~~subaccount for additional loans under subdivision (b) of~~
37 ~~Section 78621, and shall not be transferred to the General~~
38 ~~Fund.~~

39 ~~(b) The board may transfer any unallocated funds in~~
40 ~~the subaccount to the Water Reclamation Account in the~~

1 ~~1984 State Clean Water Bond Fund for the purposes set~~
2 ~~forth in Section 13999.10.~~

3 *SEC. 6. Section 78626 is added to the Water Code, to*
4 *read:*

5 *78626. Unallocated funds remaining in the*
6 *subaccount on March 8, 2000, shall be transferred to, and*
7 *all money repaid to the state pursuant to any loan*
8 *contract executed under this article shall be deposited in,*
9 *the Water Recycling Subaccount in the Clean Water and*
10 *Water Recycling Account in the Safe Drinking Water,*
11 *Clean Water, Watershed Protection, and Flood*
12 *Protection Bond Fund for the purposes set forth in*
13 *Section 79140.*

14 *SEC. 7. Section 78648.12 of the Water Code is*
15 *repealed.*

16 ~~78648.12. All principal and interest payments~~
17 ~~received pursuant to loan contracts entered into~~
18 ~~pursuant to this article shall be deposited in the~~
19 ~~subaccount.~~

20 *SEC. 8. Section 78648.12 is added to the Water Code,*
21 *to read:*

22 *78648.12. Unallocated funds remaining in the*
23 *subaccount on March 8, 2000, shall be transferred to, and*
24 *all money repaid to the state pursuant to any loan*
25 *contract executed under this article shall be deposited in,*
26 *the Seawater Intrusion Control Subaccount in the Clean*
27 *Water and Water Recycling Account in the Safe Drinking*
28 *Water, Clean Water, Watershed Protection, and Flood*
29 *Protection Bond Fund for the purposes set forth in Article*
30 *4 (commencing with Section 79149) of Chapter 7 of*
31 *Division 26.*

32 *SEC. 9. Section 78675 of the Water Code is repealed.*

33 ~~78675. Any repayments of loans made pursuant to this~~
34 ~~article, including interest payments, and all interest~~
35 ~~earned on, or accruing to, any money in the subaccount,~~
36 ~~shall be deposited in the subaccount and shall be available~~
37 ~~for the uses described in this article.~~

38 *SEC. 10. Section 78675 is added to the Water Code, to*
39 *read:*

1 78675. Unallocated funds remaining in the
2 subaccount on March 8, 2000, shall be transferred to, and
3 all money repaid to the state pursuant to any loan
4 contract executed under this article shall be deposited in,
5 the Water Conservation Account in the Safe Drinking
6 Water, Clean Water, Watershed Protection, and Flood
7 Protection Bond Fund for the purposes of entering into
8 additional loans under Article 3 (commencing with
9 Section 79157) and Article 4 (commencing with Section
10 79161) of Chapter 8 of Division 26.

11 SEC. 11. Sections 1, 3, 4, 5, 6, 7, 8, 9, and 10 of this act
12 shall become effective upon the approval by the voters of
13 the Safe Drinking Water, Clean Water, Watershed
14 Protection, and Flood Protection Act, as set forth in
15 Section 1 of this act, including changes to the Safe, Clean,
16 Reliable Water Supply Act, as set forth in Sections 2 to 5,
17 inclusive.

18 SEC. 12. Sections 1, 3, 4, 5, 6, 7, 8, 9, and 10 of this act
19 shall be submitted to the voters at the March 7, 2000,
20 statewide direct primary election in accordance with
21 provisions of the Government Code and the Elections
22 Code governing the submission of statewide measures to
23 the voters.

24 SEC. 13. (a) Notwithstanding any other provision of
25 law, all ballots at the election shall have printed thereon
26 and in a square thereof, the words: "Safe Drinking Water,
27 Clean Water, Watershed Protection, and Flood
28 Protection Bond Act" and in the same square under those
29 words, the following in 8-point type: "This act provides for
30 a bond issue of one billion seven hundred sixty-five
31 million five hundred thousand dollars (\$1,765,500,000) to
32 provide funds for a safe drinking water, water quality,
33 flood protection, and water reliability program."
34 Opposite the square, there shall be left spaces in which
35 the voters may place a cross in the manner required by
36 law to indicate whether they vote for or against the act.

37 (b) Notwithstanding Sections 13247 and 13281 of the
38 Elections Code, the language in subdivision (a) shall be
39 the only language included in the ballot label for the
40 condensed statement of the ballot title, and the Attorney

1 *General shall not supplement, subtract from, or revise*
2 *that language, except that the Attorney General may*
3 *include the financial impact summary prepared pursuant*
4 *to Section 9087 of the Elections Code and Section 88003*
5 *of the Government Code. The ballot label is the*
6 *condensed statement of the ballot title and the financial*
7 *impact summary.*

8 *(c) Where voting in the election is done by means of*
9 *voting machines used pursuant to law in a manner that*
10 *carries out the intent of this section, the use of the voting*
11 *machines and the expression of the voters' choice by*
12 *means thereof are in compliance with this section.*

13 *SEC. 14. This act is an urgency statute necessary for*
14 *the immediate preservation of the public peace, health,*
15 *or safety within the meaning of Article IV of the*
16 *Constitution and shall go into immediate effect. The facts*
17 *constituting the necessity are:*

18 *In order to remedy critical drinking water, water*
19 *quality, flood protection, and water supply problems,*
20 *thereby protecting public health and safety, it is*
21 *necessary that this act take effect immediately.*

22 *is amended to read:*

23 ~~63040. (a) Following consultation with appropriate~~
24 ~~state and local agencies, the bank shall establish criteria,~~
25 ~~priorities, and guidelines for the selection of projects to~~
26 ~~receive assistance from the bank. Projects shall comply~~
27 ~~with the criteria, priorities, and guidelines adopted by the~~
28 ~~bank.~~

29 ~~(b) The criteria, priorities, and guidelines shall, at a~~
30 ~~minimum, be based upon the following:~~

31 ~~(1) The State Environmental Goals and Policy Report,~~
32 ~~or its successor, approved pursuant to Article 5~~
33 ~~(commencing with Section 65041) of Chapter 1.5 of~~
34 ~~Division 1 of Title 7.~~

35 ~~(2) If the sponsor is a state agency, board, commission,~~
36 ~~or department, the Capital and Infrastructure Project~~
37 ~~Planning Report, prepared by the Director of Finance~~
38 ~~pursuant to Article 2 (commencing with Section 13100)~~
39 ~~of Chapter 2 of Part 3 of Division 3 of Title 2.~~

1 ~~(3) (A) Among other factors, priority shall be given to~~
2 ~~rural areas, areas having an unemployment rate higher~~
3 ~~than the state average, and areas that have undergone~~
4 ~~military base closure.~~

5 ~~(B) For the purposes of this paragraph, the following~~
6 ~~definitions apply:~~

7 ~~(i) "Rural area" means a city with a population of~~
8 ~~under 50,000 persons or a county with a population of~~
9 ~~under 250,000 persons in the unincorporated area of the~~
10 ~~county based on the 1990 United States census.~~

11 ~~(ii) "Areas that have undergone military base closure"~~
12 ~~means a city or county in which a military base is located~~
13 ~~that has been designated for closure pursuant to the~~
14 ~~Defense Authorization Amendments and Base Closure~~
15 ~~and Realignment Act (Public Law 100-526), the Defense~~
16 ~~Base Closure and Realignment Act of 1990 (Public Law~~
17 ~~101-510), or any subsequent closure approved by the~~
18 ~~President of the United States without objection by the~~
19 ~~Congress. These provisions apply in an urban setting in~~
20 ~~which a project is proposed within 10 miles of a military~~
21 ~~base closure and in a rural setting in which a project is~~
22 ~~proposed within 20 miles of a military base closure.~~

23 ~~(c) The resolution required in Section 63041 shall have~~
24 ~~been adopted prior to the project's selection by the bank.~~
25